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THESIS

"THE BUCK STOPS WHERE?" ALIGNING AUTHORITY TO STRATEGY IN HOMELAND SECURITY

by

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December 2015

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13. ABSTRACT (maximum 200 words)

This thesis examines how having authority to make decisions in different levels of an organization affects performance. The homeland security implications of this study are that the agencies responsible for homeland security are commonly structured along a rigid hierarchy with authorities accumulated at the top. This slow-moving structure is compared to more decentralized and flexible organizations found in private industry and in some foreign governments. Organizational performance can be predicted by examining how the level of operating environment instability is matched to an organization's decision-making authorities. Using case study analysis, coupled with an extensive literature review, this thesis concludes that the more turbulent the potential environment, such as in the case of a terrorist threat or natural disaster, the more decentralized the organizations should be.

The conclusion recognizes the political reality that Congress and executive leaders are not going to easily devolve authority to lower levels in organizations. Therefore, the study concludes with recommendations that agencies dealing in uncertain and changing environments be more loosely coupled at lower levels, allowing more decision-making authority to street-level operators while maintaining ultimate authority at upper levels. Finally, the thesis also recommends additional study of decentralizing strategies specific to homeland security agencies.

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"THE BUCK STOPS WHERE?" ALIGNING AUTHORITY TO STRATEGY IN HOMELAND SECURITY

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LIST OF ACRONYMS AND ABBREVIATIONS

DARPA	Defense Advanced Research Projects Agency
DHS	Department of Homeland Security
FBI	Federal Bureau of Investigation
FEMA	Federal Emergency Management Agency
GSA	General Services Administration
IMF	International Monetary Fund
NASA	National Aeronautics and Space Administration
NIMS	National Incident Management System
NPR	National Performance Review
P-A-D-R	prospector-analyzer-defender-reactor
SBU	strategic business unit
SES	senior executive staff
UK	United Kingdom
USDA	United States Department of Agriculture

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EXECUTIVE SUMMARY

In a speech to the American Bar Association in 2011, Deputy Secretary of Homeland Security Jane Holl Lute said, "National security is centralized, it's top-driven. Homeland security is operational, it's transactional, it's decentralized, it's bottom driven."[1] Despite this acknowledgement that homeland security starts and ends at the street level, the organizations responsible for ensuring homeland security were all created and continue to be run by highly centralized, top-down directives. This incongruence can be a major factor in organizational ineffectiveness.

Soon after the terrorist attacks of 9/11, the entire apparatus for detecting and responding to homeland security threats was completely overhauled in an amazingly short time. The Department of Homeland Security (DHS) was formed from 22 existing federal agencies, and these agencies were tasked with a wide array of homeland security functions in addition to the missions that they were already performing. The intelligence services not under the control of the DHS were given new missions and focus as well, again without diminishing the existing assignments. In order to facilitate this massive reengineering of these agencies in a short time, a top-down approach was used for the reassigning and repurposing the organizations. This resulted in hierarchal, highly centralized decision making as the norm in these agencies. This thesis examines the wisdom of continuing the highly centralized hierarchy of these organizations.

Setting the proper level of centralized decision making is essential to the effective functioning of an organization. This fact is especially relevant to homeland security organizations. An all-too-centralized organization is too slow to react to changing conditions, while a too-decentralized one may lack accountability or work at cross-purposes to other parts of the security enterprise.

Centralized decision making is most appropriate for organizations that operate according to well-defined procedures in a stable atmosphere. Stable and well defined are

[1] Jane Holl Lute. "Homeland Security Watch: A New Perspective on Homeland Security?" December 20, 2011, accessed September 22, 2015, http://www.hlswatch.com/2011/12/20/a-new-perspective-on-homeland-security/.

not descriptors used in the homeland security environment. Centralized control is best suited for predictable, administrative activities that are a part of any large organization. Unfortunately, this level of detailed control often becomes a cultural norm throughout an enterprise. Decentralized decision making is better suited to fast-moving or uncertain environments characterized by terrorist or natural disaster threats; however, merely instructing organizations to decentralize is both impractical and ineffective.

To be effective, decentralization of decision making must be part of a more general cultural shift as well as a part of a properly conceived strategy. In this thesis, various strategic archetypes are considered, and the prospector, analyzer, defender, reactor typological theory,[2] as proposed by Miles et al., is explored in the homeland security context. This theory has been shown to be widely applicable to both public and private enterprises and to be both descriptive and predictive of performance in multiple longitudinal studies. Furthermore, in this thesis, the different typologies are examined in the context of best fit for different levels in homeland security organizations. The level of centralized decision making is then matched to the typology that is shown to offer the best performance.

This study finds that agencies engaged in the unsettled environments of terrorism prevention and disaster response could benefit from a loose coupling of the frontline employees engaged in fieldwork from higher levels in the organization that must deal with the political realities of tight administrative and congressional oversight. This model both accepts the political reality of federal bureaucratic oversight and frees employees from overly formalized and cumbersome processes and micromanagement from remote sources in the organizational hierarchy. This thesis also recommends that these changes take place as part of a larger study of the effects of decentralization on homeland security activities.

[2] Raymond E. Miles et al., "Organizational Strategy, Structure, and Process," *The Academy of Management Review* 3, no. 3 (1978): 546–562. DOI: 10.2307/257544.

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I. INTRODUCTION

Appropriate strategic implementation and centralization affects all aspects of the homeland security enterprise in that different agencies have varying responsibilities that operate in different environments. For instance, the Federal Bureau of Investigation (FBI) has struggled with transitioning from a criminal investigative agency to one of terrorism prevention.[1] Strategic typology theory would predict that this transition would not be easy based on the current and prospective environments and the strategies that fit each. Criminal investigation presents a relatively stable environment that requires action following a crime. Terrorism prevention presents a much more dynamic environment that requires creativity, innovation, and speed to predict and prevent contemplated actions or previously unimagined threats.

Likewise, such agencies as the Federal Emergency Management Agency (FEMA) operate day-to-day in a stable environment. In the absence of an emergency, the agency offers support to state and local jurisdictions to enhance response capabilities and builds internal capabilities to respond to regional or national disasters.[2] During an emergency, the operating environment goes from very stable to very dynamic. Tierney describes disasters as "complex occasions characterized by a high degree of ambiguity, often coupled with extreme urgency, that require extensive improvisation and that call for more autonomy, rather than less, on the part of organizational entities involved in the response."[3] These two situations call for radically different implementation strategies and managers may not be able to pivot quickly from a formalized structure to the

[1] Amy B. Zegart, *Spying Blind: The CIA, the FBI, and the Origins of 9/11* (Princeton, NJ: Princeton University Press, 2009).

[2] "About the Agency," Federal Emergency Management Agency, accessed November 1, 2015, http://www.fema.gov/about-agency.

[3] Kathleen Tierney, "The 9/11 Commission and Disaster Management: Little Depth, Less Context, Not Much Guidance," *Contemporary Sociology* 34, no. 2 (2005): 117.

decentralized one required during emergency conditions.[4] These different environments call for different strategic archetypes and consequently different levels of centralization.

In the wake of the 9/11 attacks, the Department of Homeland Security (DHS) was formed by combining and centralizing the control of 22 separate agencies, each of which had a piece of the homeland security puzzle. The inclination of elected officials to centralize organizations to make them both easier to manage and easier to assign accountability for results is well established.[5] The success of any large organization relies on the ability of the decision makers effectively to execute the strategic mission that is the organization's reason for existence. As Perrow points out when describing the formation of the DHS:

> The institutional framework chosen for protecting homeland security followed a cultural script that organizational designers such as Congress most easily revert to—namely, centralized control—even though the problem would be more amenable to the empowerment of diverse, decentralized units.[6]

The role of decision making depends on a proper alignment of degree of centralization within the organization with its strategy. This alignment must be carried down through its strategic business units to allow the organization to function as an organic whole. When well-functioning organizations find that they must make either strategic or organizational shifts due to environmental or policy changes, a failure to consider whether the chosen strategy matches the organizational structure can lead to problems that are difficult to diagnose. This thesis assesses whether centralization or decentralization leads to better outcomes based on a best fit of strategy for the type of organization. The study also examines ways that managers can assess their own agency or business unit to determine what type of strategy is being pursued and whether this strategy fits with the extant level of centralization and formalization within the unit.

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[4] E. C. Stazyk, S. K. Pandey, and B. E. Wright, "Understanding Affective Organizational Commitment: The Importance of Institutional Context," *The American Review of Public Administration* 41, no. 6 (2011): 603–24. DOI: 10.1177/0275074011398119.

[5] Charles Perrow, "Disaster after 9/11: The Department of Homeland Security and the Intelligence Reorganization," *Homeland Security Affairs* 2, no 1 (2006): 1–32.

[6] Ibid., 3.

Many factors can precipitate change in large organizations, including government agencies. Adjustments in strategy, mission, technology, and organizational structure can all have profound bearing on how and where an organization conducts its business. A key consideration when matching strategy with organizational structure is where the power centers of the organization will lie. The power centers of an organization may be defined as those people or positions that have the authorities to make non-routine decisions or deploy and expend resources. These power loci are often identified by the amount of centralization that is built into the structure through authorities and access to resources. The level and degree of centralization that the organization applies to resources and decision-making authority is a key decision that is often not taken with a level of analysis appropriate to the level of influence the decision will have on the ultimate success of the organization.

In 1993, Vice President Al Gore released *The National Performance Review* (NPR), which was the result of a six-month, comprehensive survey of business practices within the federal government.[7] The final report and appendices spanned 2000 pages and contained 384 recommendations and 1250 specific actions that were to be taken.[8] This study has been described as "one of the most ambitious, far-reaching and thoroughly prepared management reform efforts of the twentieth century."[9] One of the central findings of the report was that government service had become too centralized, and as a result, it had become overly rule-bound, slow, and resistant to innovation. Some of the main recommendations of the report focused on decentralizing functions, thus empowering middle and lower level managers, and allowing decisions to be made closer to the point of customer contact. These actions are widely accepted as means to reduce formalization, speed processes and innovation, and eliminate waste by cutting unnecessary levels of supervision.

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[7] Al Gore, *From Red Tape to Results: Creating a Government That Works Better & Costs Less. Report of the National Performance Review* (Washington, DC: Office of the Vice President, 1993), http://eric.ed.gov/?id=ED384294.

[8] "A Brief History of the National Performance Review," University of North Texas, accessed April 30, 2015, http://govinfo.library.unt.edu/npr/library/papers/bkgrd/brief.html.

[9] James P. Pfiffner, "The National Performance Review in Perspective," *International Journal of Public Administration* 20, no. 1 (1997): 41, DOI: 10.1080/01900699708525188.

Seven years after the NPR's release, an assessment of the impact of the recommendations made in the NPR was conducted at the end of the Clinton administration. It concluded that with a few notable exceptions, such as eliminating the 10,000-page federal personnel manual, the larger federal organizations made superficial changes to their operations and settled back into the status quo.[10] In the prophetic words of one senior Office of Personnel Management official in response to the original NPR, "This too shall pass."[11] One of the reasons given for the failure of the NPR to make significant changes in the way that government does business was a lack of a coherent implementation strategy to achieve its stated goals.[12]

There are many reasons that are put forward as to why devolving power down in a government bureaucracy may not be in the best interest of the agency affected, its customers, or the government as a whole. Government organizations do not have a good track record of rightsizing themselves to the level of the need or of releasing authority and resources once they have been accumulated, even when significant pressure has been applied for the organizations to do so. One example of this can be found in a recommendation of the Gilmore Commission, which was charged by Congress to examine domestic terrorism and the risk of weapons of mass destruction. Oversight of terrorism was assigned to a then-current congressional labyrinth of 11 Senate committees and 14 House committees. The Gilmore Commission, after extensive review and analysis, suggested that the process be rationalized and simplified by placing more authority in the executive branch. The suggestion was firmly rejected.[13]

There are also many constituencies that have a vested interest in assuring that radical changes to the structure and reporting responsibilities do not change. These

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[10] Hal G. Rainey, and Barry Bozeman, "Comparing Public and Private Organizations: Empirical Research and the Power of the a Priori," *Journal of Public Administration Research and Theory* 10, no. 2 (2000): 447–470.

[11] Peters, B. Guy, and Donald J. Savoie. "Managing Incoherence: The Coordination and Empowerment Conundrum," *Public Administration Review* 56, no. 3 (1996): 281, DOI: 10.2307/976452.

[12] Ibid., 288.

[13] Perrow, "Disaster after 9/11."

factors must be balanced with the disruptions and benefits that technical, educational, and administrative advances offer forward-looking organizations.[14]

A. PROBLEM STATEMENT

Homeland security faces many and varied environmental dynamics. Emergent threats, changing missions, technological or policy changes, budgetary fluctuations, and reorganization/consolidation opportunities place pressure on governmental organizations to adapt to new conditions. One of the most basic considerations in establishing new practices and organizations or assessing the performance of existing organizations is the choice of whether to centralize or decentralize decision making, information systems, and other resources. These decisions are often made without adequate analysis. This omission may be understandable when the government is reacting to a newly identified threat for which the public is demanding action. The formation of DHS after the 9/11 attacks and the reorganization and elevation to cabinet level of the FEMA after Hurricane Andrew are two examples.[15] Still, what makes immediate practical sense for the formation of an organization may not make sense once the enterprise is up and running; however, once the structure of these organizations is set up, they are rarely revisited absent another crisis.[16]

When politicians, managers, or other policymakers consider the level of decentralization that is appropriate to their organization, two precedent factors must be assessed: the stability of the environment and then the strategic archetype that will be used to pursue organizational goals. Research shows unambiguously that organizations that have internal alignment between their strategic archetype and their level of centralization outperform those that are not in alignment. However, strategic typology applies not to the stated goals of the organization but to how that organization uses its resources to achieve strategic goals. The same strategic methods used in a stable

[14] James R. Thompson, "Reinvention as Reform: Assessing the National Performance Review," *Public Administration Review* 60, no. 6 (2000): 508–521.

[15] Sharon L. Caudle, "Centralization and Decentralization of Policy: The National Interest of Homeland Security," *Journal of Homeland Security and Emergency Management* 8, no. 1 (2011): 1–17. DOI: 10.2202/1547-7355.1941.

[16] Ibid.

environment, like a citizen benefit administration, is not as effective in a homeland security scenario that is dynamic and developing both technically and behaviorally. Likewise, high levels of centralization are not appropriate to all strategic methods. Environment, strategic typology, and level of centralization must all be considered together to achieve optimal organizational outcomes.

This phenomenon was demonstrated in the negotiations and tradeoffs that led up to the formation of the Department of Homeland Security. As both the White House and Congress demanded authority over the tasking and resources of the new organization, best practices for achieving anti-terrorist effectiveness went unexplored in favor of a centralized organizational structure with which Congress was familiar and comfortable. This structure emphasizes centralized control rather than centralized coordination over more decentralized and nimble subunits.[17]

Historically, governments have had a centralized command and control hierarchical structure that worked well when governance units were small and the amount of knowledge required to make informed decisions was centralized with a few well-educated leaders. Geographical expansion and the time required to cover greater distances necessitated that more and more decisions be decentralized and delegated to trusted lieutenants nearer where the decisions were needed. However, with delegation came more and increasingly complex sets of rules that were to be followed to ensure consistency with the strategic goals of the enterprise.[18] These same rules and policies that allowed for the decentralization of decision making have come to be known colloquially as red tape.

Modern telecommunications has had the effect of virtually eliminating geography and associated time lags as a consideration for the location of a decision maker, but technology has also resulted in exponential growth of the information that must be digested when making informed decisions. This simultaneous expansion of information and the contraction of time needed to access critical data occur every day in the homeland

[17] Perrow, "Disaster after 9/11."

[18] John Child, "Organization Structure and Strategies of Control: A Replication of the Aston Study," *Administrative Science Quarterly* 17, no. 2 (1972): 163, DOI: 10.2307/2393951.

security field. Internal conflicts over where tasks should be accomplished and who should have final authority to either commit resources or deviate from established practices persist in all levels of government.[19]

Centralization has both advantages and disadvantages, depending on organizational strategy, situation, scope, and managerial competence. It is rarely an absolute condition that decisions or resources are wholly centralized or decentralized. The decision of whether to centralize authorities or resources is often made based on heuristics, gut preference, or current practices that may not fit the prospective organization's chosen strategy. Managers or policymakers do not have a ready methodology for determining what portions of an organization or process should be centralized and which should not.

The advantages of centralization have generally been characterized as greater accountability and consistency. Centralized decision making is often recommended when decisions are critical to the wellbeing of the parent organization, are not time sensitive or are of marginal importance. The advantages of decentralized processes are listed as speed, more potential for innovation, and close proximity to customers with the attendant local knowledge that distant, centralized decision makers may lack. The potential span of control in large organizations is such that the volume of decisions that must be made on a continual basis would overwhelm an overly centralized structure and grind the operation to a halt. Also, no matter how independent a subunit of an organization may be, it will always have reporting requirements up the managerial hierarchy. Likewise, highly formalized and centralized organizations must still grant some measure of autonomy to mid-managers and supervisors to deal with problems that are not explicitly covered by policy, as well as granting limited leeway in interpreting those policies.

A possible reason that a more structured approach to such a basic business decision has not been developed may be the complexity and ambiguity of the centralization decision. In a political organization, the customer at the bottom of the organization, usually seen as the citizen, is not the same customer that is giving feedback

[19] Paul D. Hutchcroft, "Centralization and Decentralization in Administration and Politics: Assessing Territorial Dimensions of Authority and Power," *Governance* 14, no. 1 (2001): 25.

at the top—this role is reserved for the political sponsor of the agency. Thus, given the goal of keeping the decision making near the customer can yield totally different conclusions depending on one's position within the organization.

Another probable reason for the amount of centralization seen in newly formed agencies or business units is that centralization is a basis of power, and the parties responsible for creating the organization have an interest in controlling what they are going to be held accountable for.[20] As the organization develops and evolves, the intention may be that the degree of centralization will be adjusted to fit needs as they arise. For instance, centralization of decision-making authority may enhance accountability and decisional consistency at the expense of nimbleness and employee morale. This approach may be appropriate in the early stages of an enterprise when employees are not fully trained and the mission of the strategic business unit (SBU) is still evolving. As the organization matures and employees reach a point where it would be advantageous to the organization to allow decision to be made lower down, a near universal maxim kicks in—that managers tend to desire decentralization above them and centralization below.[21] Thus, decentralization may be resisted up and down the reporting chain absent strong pressure to change.

There appears to be no magic formula to determine the right amount of centralization in an organization or a SBU within a larger enterprise. Investigation into the problem reveals not so much a knowledge gap as a series of evaluations of individual elements that are assessed in isolation or in narrow contexts.[22] The same issues of authority and excessive formalization in the form of highly detailed policies and procedures that bedevil government agencies exists in private industry as well. In fact, the literature moves back and forth between for-profit and nonprofit and governmental agencies and identifies many similarities. A clear, rational decision-making framework

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[20] Amy Kates, and Jay Galbraith, *Designing Your Organization: Using the Star Model to Solve 5 Critical Design Challenges*, 1st ed. (San Francisco CA: Jossey-Bass, 2007).

[21] Ibid., 163.

[22] Mariano Tommasi, and Federico Weinschelbaum, "Centralization vs. Decentralization: A Principal-Agent Analysis," *Journal of Public Economic Theory* 9, no. 2 (2007): 369–89; Jan W. Rivkin, and Nicolaj Siggelkow, "Balancing Search and Stability: Interdependencies among Elements of Organizational Design," *Management Science* 49, no. 3 (2003): 290–311, DOI: 10.1287/mnsc.49.3.290.12740.

that is anchored to the proposed strategy of the organization will assure managers that they have done due diligence in setting policy.

B. BACKGROUND AND NEED

The four key principles listed in the NPR as needing improvement were: "cutting red tape, putting customers first, empowering employees to get results, and cutting back to basics—producing better government for less."[23] Each of these topics touches on the centralization/decentralization debate; however, an inherent tension runs through the suggested improvements. Cutting red tape would seem to imply that services should be either supplied at a higher level of authority or policies and procedures that are put into place to assure accountability should be eliminated. While putting customers first may seem like common sense, different levels of the organization perceive a different set of customers. At the highest levels of a government agency, directors are overseen by not only the executive branch but answer to a minimum of four congressional committees.[24] At the output level, the customer is the end user of the service or product that the agency provides. This output may be a citizen receiving an IRS rebate or another government agency receiving a tangible good or service, such as printed material or a background check.

The failure of the NPR to have profound, lasting effects across the federal bureaucracy speaks to the need to examine the basic assumptions of the recommendations and look for opportunities to either expand or improve on them or refute the premises as wrong or unworkable. This thesis examines the benefits and problems of decentralization of authority and decision making and how the decision to decentralize affects the strategic functioning of an organization.

C. RESEARCH DESIGN

This thesis uses a qualitative analysis methodology, supported by case study analysis, to examine the current practice of determining whether organizational functions

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[23] Gore, *From Red Tape to Results.*

[24] Guy, and Savoie. "Managing Incoherence," 282.

and processes should be centralized or decentralized using heuristics, legacy organizational practices, or personal preference. No standard practices have been identified that can be used to reliably determine the efficacy of centralizing or decentralizing processes that backs that decision up with metrics or other disciplined analytical tools; however, based on the type, size, and strategic focus of the organization, authors have put suggested best practices forward. Specifically, cited research has demonstrated that organizations can optimize their performance by matching their implementation strategy to the environment. Optimizing the level of centralization to the chosen strategy is key successful strategy execution. Specifically, there is wide agreement in the literature that operational environments that are unstable or turbulent are best served by a forward-leaning strategy that is supported by a decentralized decision-making structure. This structure would seem to be a good fit in the homeland security field that is constantly scanning for new threats and countermeasures to hazards that are emergent or still ill defined.

Setting definitions will also be critical in this portion of the research. Such questions as at what level in the organization decisions are taken and the general level of decision that can be made by subordinates. For instance, if two offices out of 30 have the authority to make important decisions, does that constitute a decentralized model? Furthermore, levels of autonomy would be considered to be proportional to the level of centralization, but autonomy would then have to be paradigmatically defined. This situation can be seen in large organizations that are loosely coupled—that is central authority and accountability is retained at higher levels in the organization while sufficient autonomy is retained at lower levels of the organization to allow for a rapid response to changes in the operating environment without sending ripple effects to the higher levels of the organization. From a general overview of best organizational practices, the present study focuses on current homeland security practices in information sharing and examines if interdependence leads to better sharing of information and data resources in both intra- and inter-organizational situations.

D. RESEARCH QUESTIONS

1. Are there critical factors that can assist in determining the optimum level of decisional centralization in an organization?
2. How can the determination of the correct level of centralization be optimized and systematized?
3. How can managers determine whether a business unit has a strategy that is optimally matched to the operating environment and that the level of centralization is matched to the strategy?

E. CHAPTER OVERVIEW

Chapter I is the introduction and contains the problem statement, research objectives, background and need, methodology used in the thesis, and the chapter overview.

Chapter II is the literature review. The review begins with the classical view of the functioning of bureaucracies and the importance that was placed on the centralization of authority and decision making. The literature then progresses to the current trend of government decentralization and the expected benefits. The review ends with literature on how studies done on organization structure and centralization in private sector organizations have applicability in government agencies.

Chapter III presents two case studies that examine the performance of organizations based on the level of fit between the chosen implementation strategy, the environment, and level of centralization. Case studies have been chosen based on applicability to government functions, currency, depth, and conclusiveness.

Chapter IV is the discussion and analysis of the case studies in light of the available literature. The strategic typologies of the examined organizations are examined and compared to other current organizations within the homeland security enterprise. In addition, the chapter identifies opportunities and challenges for changing existing organizational arrangements.

Finally, Chapter V contains the summary of findings, analysis tools, and policy recommendations.

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II. LITERATURE REVIEW

A. INTRODUCTION

Successful organizations are those that are able to align their mission, operational environment, strategy, and organizational structure. One of the most important linkages between strategy and organizational structure is the level of centralization or decentralization up and down the structure. In well-established organizations, this can present a problem if there is a deeply engrained misalignment or if a formerly stable environment in which the organization is thriving suddenly shifts or becomes unstable due to policy changes, budget cuts, or other factors, such as disruptive technologies. In these situations, a shift in strategy will be much easier to achieve than a change in organizational culture.[25] This can be problematic when existing agencies are given new tasks or are required to make basic changes in the way they conduct the everyday business of the enterprise. As the Department of Homeland Defense deploys its varied resources to face new or emerging threats, the culture and strategic typology of the agency that is tasked with addressing the threat has an impact on the agencies' ultimate level of performance.

The literature review examines basic organizational structure and how centralization decisions affect the functioning of the enterprise and what the general characteristics, including strengths and weakness, are of centralized or decentralized structures. The next portion assesses a methodology to apply a broad typology to strategies. Typing the strategies allows for the fair comparison of effects of centralization and decentralization in similar contexts rather than similar looking organizations that may take totally different approaches to their mission and are therefore unsuitable for comparison. The last section pairs the recommended centralization scheme with the best strategic typology, given certain environmental conditions. This section also shows how strategic studies conducted in the private sector have relevance in the public domain.

[25] Kates, and Galbraith, *Designing Your Organization*, 3.

B. ORGANIZATIONAL THEORY

Organizational theory is an active and evolving branch of sociology; however, principles that were set down nearly a hundred years ago by Max Weber, such as span of control, unity of command, and bounded authority, are still found in modern texts on bureaucracies and adhered to in organizations. However, while Weber focused on how the individual functioned within a bureaucracy, texts today take two steps back and observe how the organization functions within its environment and how the organization adapts to changes within that environment.

Leading texts used in business schools, such as Kates and Galbraith's *Star Model*,[26] emphasize choosing explicit strategies and then aligning the organization with that strategy. While the focus of Kates and Galbraith is on private industry, the model they propose has general applicability to public agencies with certain exceptions. The star model that they advocate contains five elements that are to be adjusted into alignment to yield a successful organization. They list the five critical factors as: capabilities, structure, process, reward system, and people.[27] Each of these has obvious analogues in the public sector, but reward systems and people are severely limited by civil service restrictions in the government sphere.

Galbraith broadly defines strategy as "a company's formula for success."[28] Hambrick describes strategy as "a pattern of important decisions that (1) guides the organization in its relationships with its environment, (2) affects the internal structure and processes of the organization, and (3) centrally affects the organization's performance."[29] This describes an organization's view that it can apply unique strengths that are greater than the external challenges, such as competition, emerging technologies, and changing customer needs, and thus can succeed in its plans. While Galbraith refers to strategy as a way to gain competitive advantage over rival firms, the general description can be used to

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[26] Ibid.

[27] Ibid.

[28] Ibid., 5.

[29] Donald C. Hambrick, "Operationalizing the Concept of Business-Level Strategy in Research," *The Academy of Management Review* 5, no. 4 (1980): 567–575, DOI: 10.2307/257462.

describe governmental agencies that do not face direct competition but are required to perform to established criteria. These criteria can then be used to evaluate any proposed alternatives to the current services provided.

To have an organizational structure follow strategy, several key elements of design need to be addressed. The first of these is to identify what strong capabilities exist within the organization. These capabilities can be any combination of technical, human expertise, strong organizational culture of overcoming adversity, processes, or procedures. How the organization is administered should align the strategic mission with the existing strengths. Because it is easier to change the strategy of an organization than to change the culture or develop a new suite of skills from scratch, Kates and Galbraith recommend building on strengths and fitting the organization to the strategy that best responds to the environment. The formal structure of the organization determines where authorities and decision-making power lies.[30]

According to Kates and Galbraith, "the four building blocks of organizational structure are function, product, geography, and customer."[31] Large organizations may be organized along all three lines with product divisions split down into geographical areas, etc. A functional structure is one built around functions such as finance, human resources, marketing, and the like. In this structure, employees are all managed together to enhance knowledge sharing and efficiencies of scale. This type of structure works better for small organizations that are not widely spread between products, divisions, or geographical areas.

Large organizations that are split into multiple product divisions may not share information well across divisional lines, even concerning those processes that all divisions share.[32] In large geographical areal divisions, parochialism may become a problem as areas compete for resources or recognition. Geographical divisions do tend to work well where there are customer differences, government regulations are significantly

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30 Kates, and Galbraith, *Designing Your Organization*, 9.

31 Ibid., 10.

32 Ibid., 12–13.

different, or the service is delivered on site.[33] Galbraith cites an interesting case study where the IRS successfully went from being segmented into geographical areas to being divided up by customer type-businesses, wage earners, non-profits, etc.[34] Functions that must be housed at the corporate level include information technology and any subunits that must be kept independent, such as legal and internal investigations.

C. STRATEGIC TYPOLOGIES

No universally agreed upon definition of strategy exists in the literature; however, Alfred Chandler, one of the first academics to promote the concept of strategy as a way forward for complex industrial enterprises, defined strategy as "the determination of the basic long-term goals and objectives of the enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals."[35] Chandler's definition refers primarily to the stated or formulated strategy of an organization. How or if that stated strategy is implemented would be considered the implementation strategy.[36] The way that an organization determines its purpose and the needed skills, expertise, and resources to pursue its stated strategy gives rise to strategy typologies.

Strategic typologies are in large part academic constructs that allow researchers to examine organizations and classify the methods and patterns of behavior they use to pursue their formulated strategy. These classifications allow researchers to speak the same language and assure that they are looking at the same phenomena when they assess strategic implementation; however, the typologies are more than academic curiosities. Research across a wide variety of public and private enterprises demonstrates that proper alignment of typology with environment and level of centralization yields superior results.

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[33] Ibid., 14.

[34] Ibid., 15.

[35] Alfred D. Chandler, *Strategy and Structure: Chapters in the History of the Industrial Enterprise* (Cambridge, MA: M.I.T. Press, 1962), 13.

[36] Eugene Bardach, *A Practical Guide for Policy Analysis the Eightfold Path to More Effective Problem Solving*, 4th ed. (New York: Chatham House Publishers, Seven Bridges Press, 2012), 116.

Miles et al. identified four main types of strategic typologies that organizations exhibit. This model is well tested in both public and private organizations and is generic[37] and comprehensive in scope, but not necessarily mutually exclusive, as there is one category (analyzer) that exhibits blended characteristics of two other types. The proposed strategy types are listed as: prospector, analyzer, defender, and reactor (P-A-D-R). Each of these strategies shows a particular competence when pursuing strategic objectives. Prospectors have a special skill in scanning the horizon for the next thing coming and attempt to align themselves to be on the leading edge of innovation. Not only are prospectors are best adapted to complex or uncertain environments, they are well placed to change direction and have a higher risk tolerance. In the private sector, tech and software firms are often considered prospectors. In the public domain, government agencies such as the Defense Advanced Research Projects Agency (DARPA) of the National Aeronautics and Space Administration (NASA) would be examples of prospectors.

Defenders have a locked down niche that they assert by constantly improving their processes, pricing, or efficiency. Defenders may also spend a great deal of effort to maintain any legislative protections that seal other entrants from their market. In the private sector, a good example of a defender might be a utility company. In the public sector, an agency, such as the Social Security Administration, that has a well-defined and stable mission not subject to constantly changing political pressures could be considered a defender.

Analyzers take a middle ground between the prospectors and the defenders. They also scan the environment for coming changes and are ready to make changes in their products and services, but not before they are assured that the trends are well in their favor. They are neither early innovators nor staunch protectors of existing processes and, as such, do not reap the rewards of early movers or have the well-honed efficiencies of the defenders; however, they are not as exposed to the risk of failed innovation or a

[37] Richard M. Walker, "Strategic Management and Performance in Public Organizations: Findings from the Miles and Snow Framework," *Public Administration Review* 73, no. 5 (2013): 675, DOI: 10.1111/puar.12073.

suddenly shifting environment that can ruin the defenders. The analyzer type is the least well defined, and there are instances where an organization that is typified as an analyzer shows more prospector characteristics in one case and more of a defender bend in another.

The last strategy type is the reactor. As the name implies, reactors have no set strategic view, and through inadequate strategic force or because of outside environmental factors, they have not adjusted their strategic[38] choices to align with the environment. Reactors do not have a set strategy that they will follow, in spite of environmental pressures, and, as the name implies, they react to either the path of least resistance or away from perceived pain. Organizations in highly politicized environments often present as reactors; they will sit and await instructions from on high. Walker and others have made the case that often referring to an organization as having a reactor strategy is generous because in fact the organization has no strategy at all.[39]

In the homeland security domain, agencies would expect high performance by properly aligning their implementation strategy with their environment. In the case of emerging or disruptive threats, a prospector strategy would be called for because of the ability an organization following this strategy to quickly pivot when it detects new opportunities. A slower, more formalized structure will cause the organization to miss opportunities. A defender archetype is best suited to environments that are more stable or predictable, such as in the case of responding to natural disasters, which are both understood and predictable in the sense that the uncertainty is related primarily to location, timing, and scale. Problems arise when an organization attempts to change its strategic alignment to meet the needs of the environment.

According to Miles et al., three broad problems of changing strategy involve the "entrepreneurial problem," the "engineering problem," and the "administration

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[38] Raymond E. Miles et al., "Organizational Strategy, Structure, and Process," *The Academy of Management Review* 3, no. 3 (1978): 546. DOI: 10.2307/257544.

[39] Walker, "Strategic Management and Performance in Public Organizations," 680; Charles C. Snow, "A Configurational Approach to the Integration of Strategy and Organization Research," *Strategic Organization* 3, no. 4 (2005): 431, DOI: 10.1177/1476127005057965.

problem."[40] This adaptive cycle is most evident in newly formed or rapidly growing organizations or organizations in crisis.[41] The entrepreneurial problem is where the organization sets its organizational domain and defines its purpose and declares exactly what it does or does not produce or what market it is in. Problems arise when environmental conditions drift or suddenly shift, and the organization does not align with the new reality. The organization can consider that this problem has been addressed when resources are committed to achieving stated goals that are in line with the new situation.

The engineering problem comes when processes are not put into place that will operationalize the goals that have been articulated by management.[42] If modifying existing technology or processes solves the engineering problem, then there may be no need for extensive changes to accommodate the next problem in the sequence that presents itself, the administration problem.

The administrative design of the organization must reflect both the strategic thrust of the organization and support the operational processes that achieve the organizational goals. Miles et al. add a caveat to what would seem an obvious assertion. They argue that an ideal administrative arrangement is not a rationalization of the existing processes but must be both a leading and lagging variable in the adaptive process.[43] By this formulation, they mean that the administrative structure must both serve the current practices of the organization to a depth that allows managers to proceed with certainty but be configured so that they have the ability to pivot toward future innovations. The adaptive cycle is here illustrated in Figure 1 (also see Table 1).

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[40] Miles et al., "Organizational Strategy, Structure, and Process," 549.

[41] Ibid.

[42] Ibid.

[43] Ibid., 550.

Figure 1. The Adaptive Cycle

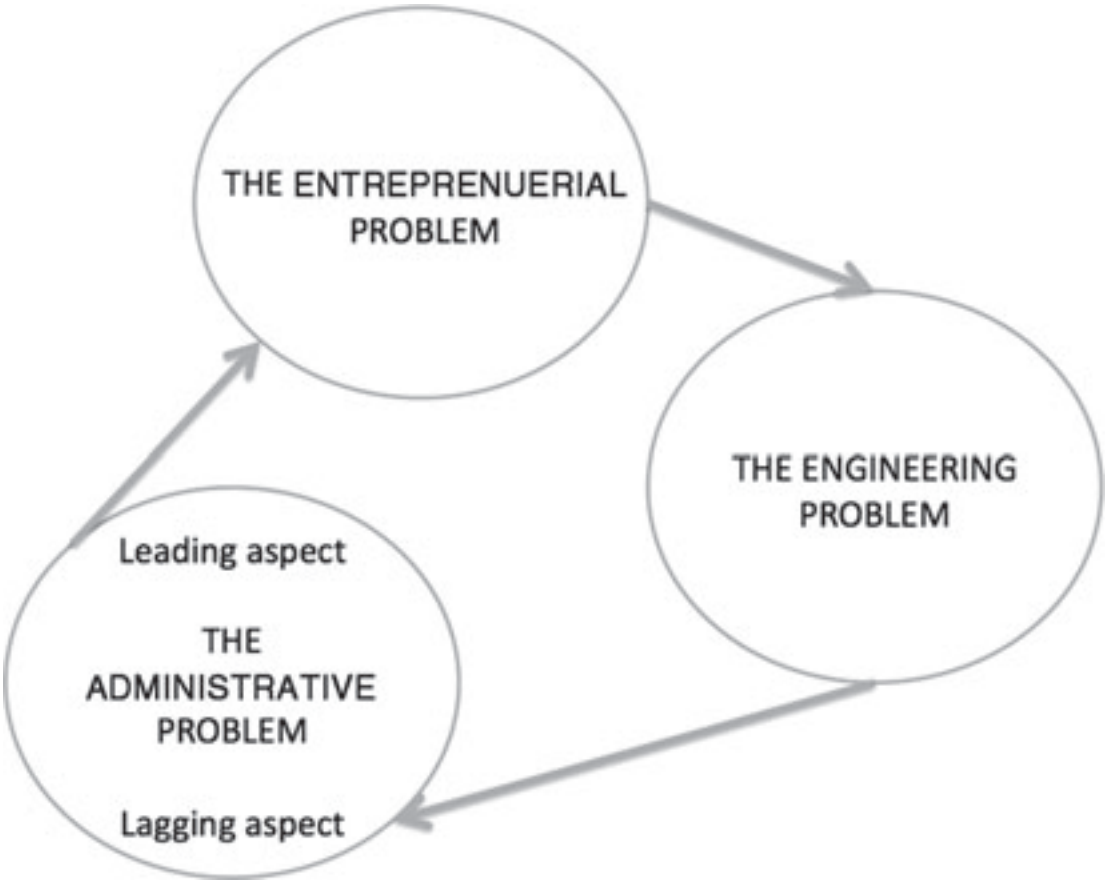

Table 1. Adaptive Cycle and Alignment between Strategy, Process, Structure, Environment, and Performance by Miles et al.

Strategy Content	**Formulation**	**Implementation**	**Structure**	**Environment**	**Relation to Performance**
Prospector	Incremental	Incremental	Decentralized	Uncertain	Positive
Defender	Rational	Rational	Centralized	Stable	Positive
Reactor	No clear relationship	No clear relationship	No clear relationship	No clear relationship	Negative or worse than defender or prospector

Adapted from Richard M. Walker, "Strategic Management and Performance in Public Organizations: Findings from the Miles and Snow Framework," *Public Administration Review* 73, no. 5 (2013), 676.

D. ISSUES

If asked, most managers likely would not know how to classify their organization along a continuum of typologies. In all the studies, the researchers assigned the typologies after assessment tools were applied to the organizations. The assessment tools varied from simple questionnaires to a combination of measurements, questionnaires, and researcher observations.[44] There were no cases in which the managers asked to directly state the type of strategy that their agency pursued. The typology is important to the manager because it helps identify the level of centralization and the breadth and depth of formalization that will yield the best outcomes. It can also identify those organizations that are pursuing a reactor strategy, which is shown to be the worst performing strategy in all environments and in at all levels of centralization.[45]

While Miles et al. intended that the typologies would be generic and apply to large organizations as a whole, subsequent analysis has shown that pure strategies are rare in large public organizations; a blend of typologies is more typical.[46] In addition, the overall typology and performance predictions for Miles et al.'s typology hold true.[47] This blending of strategies is especially true in cases of organizations that have many varied SBUs in different industries, or similar SBUs that are operating in different environments, such as in a highly regulated foreign country. This model may also be compared to large federal structures like the Department of Homeland Security (DHS), which function more along the lines of a holding company than a purpose-built organization. However, merely bringing 22 different and disparate organizations under one central controlling authority and expecting that the results would be greater control and coordination among all the affected agency flies in the face of reality and history. As noted by Herbert Emmerich more than 40 years ago, the lesson of history is, "there is a

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[44] Jeffrey S. Conant, Michael P. Mokwa, and P. Rajan Varadarajan, "Strategic Types, Distinctive Marketing Competencies and Organizational Performance: A Multiple Measures-Based Study," *Strategic Management Journal* 11, no. 5 (1990): 365–383.

[45] Ibid.

[46] Walker, "Strategic Management and Performance in Public Organizations;" Snow, "A Configurational Approach to the Integration," 679.

[47] Ibid., 682–683.

persistent, universal drive in the executive establishment for freedom from managerial control and policy direction."[48]

This potential lack of an overall strategic approach to management within an organization gives rise to one of the characteristics of public management that distinguishes it from private enterprise, and that is the ability of the managers to set strategy based on the local environment. In the public sphere, strategy may often be set to achieve goals that are not directly related to the stated goals of the organization, or may be so slow to adapt to changing conditions, that the stated strategy devolves to reactor status.

1. Applying Private Practices to the Public Domain

Much of the traditional management literature has for years asserted that private and public management are so different that lessons drawn from the study of one could not be applied in any meaningful way to the other.[49] Very good reasons are put forward as to why the management is fundamentally different. For instance, Pandey and Wright suggest that among the forces working exclusively in the public sector are that:

- The market forces of supply and demand are skewed because the purchaser in the public sector is often different than the beneficiary.
- Policymakers may not delegate authority for strictly political reasons.
- Agencies are faced with vague or conflicting goals, such as a demand of "fairness" that does not apply in the private sector.
- Organizational goal ambiguity that leads to excessive centralization and red tape.
- The lack of easily measured outcomes leads to process substituting for results.

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[48] Herbert Emmerich, *Federal Organization and Administrative Management* (Tuskalooska, AL: University of Alabama Press, 1971), 17.

[49] George Boyne, "Public and Private Management: What's the Difference?" *Journal of Management Studies* 39 (2002): 97.

- The turbulent environment that comes from changing political requirements that may be divorced from the agency's current mission or strategy.[50]

While the above differences may seem like received wisdom, when actually put to empirical testing, the differences narrowed sharply. In 2002, Boyne performed a meta-analysis of studies that had compared private with public management across 13 dimensions in order to assess Sayre's phrase that public and private organizations are "fundamentally alike in all unimportant aspects."[51] The assessed categories included absence of competitive pressures, more bureaucracy and red tape, lower managerial autonomy, instability, complexity, and lower managerial commitment. Across all 13 dimensions that he had set out to assess, Boyne found that five of the dimensions had not been studied adequately enough to draw conclusions. Of the 13 dimensions that were assessed, only the attributes of "more bureaucratic," managers being "less materialistic," and having "weaker organizational commitment" were found to hold true in a statistically meaningful way.[52] Table 2 summarizes Boyne's findings comparing attitudinal and attributive comparisons of public and private organizations.

[50] S. K. Pandey, "Connecting the Dots in Public Management: Political Environment, Organizational Goal Ambiguity, and the Public Manager's Role Ambiguity," *Journal of Public Administration Research and Theory* 16, no. 4 (2006): 511–514, DOI: 10.1093/jopart/muj006.

[51] Ibid., 98.

[52] Boyne, "Public and Private Management," 116.

Table 2. Summary of Support for Publicness Hypotheses

	0	***<50%***	***>50%***
Environment			
H1 more complexity	X	X	X
H2 more permeable	2	2	1
H3 less stability	X	X	X
H4 weaker competition	X	X	X
Goals			
H5 distinctiveness	X	X	X
H6 larger number	X	X	X
H7 more vague	2	3	3
Structures			
H8 more bureaucratic	2	1	8
H9 more red tape	0	2	2
H10 lower managerial autonomy	0	2	2
Values			
H11 less materialistic	2	0	4
H12 stronger public interest motives	1	1	2
H13 weaker organizational commitment	1	0	3

Notes:

1. Figures show number of studies with support scores of zero, less than or equal to 50 percent, or more than 50 percent.

2. X = no tests of this hypothesis.

In the end, Boyne's assessment of the overall comparability of private versus public management is "don't know."[53] However, Rainey and Bozeman take a more confident approach to the question. They assert that much of the research has started from premise that the two management tasks are so different that basic research has either been lacking because it is assumed that the question has been answered or the research that has been done has been slanted toward affirming what has been assumed.[54] Goal ambiguity in public agencies when faced with seemingly contradictory missions, such as conservation versus development as an urban planner, were assumed by researchers such as Wallace Sayre and Graham Allison[55] to be intractable problems for managers and a source of role ambiguity that is not present in the private sector. However, when questioned about the clarity of the mission they were expected to perform, public managers differed little from their private counterparts.[56] Another assumption about public agencies that is thought to hinder them is the amount of formalization in the organization as defined by a maze of rules and considerations that are not present in private enterprises. Here again, research has discovered this not a given. Furthermore, researchers have found this to be the case in certain instances, such as personnel decisions or purchasing processes that had been highly centralized. For instance, the literature references federal requirements to go through the General Services Administration (GSA) for routine purchases.[57] This level of formalization can work well for established governmental agencies, such as the U.S Department of Agriculture (USDA), whose mission varies little from year to year; however, in rapidly evolving realm of homeland security, wherein a rapidly developing terrorist capability or unforeseen pandemic requires quick reaction, such onerous procedures can have catastrophic consequences. While this may seem a dramatic overstatement to say that managers will be unable or unwilling to respond forcefully in the case of a crisis, their

53 Ibid., 113.

54 Rainey, and Bozeman. "Comparing Public and Private Organizations," 449.

55 Graham T. Allison, *Public and Private Management: Are They Fundamentally Alike in All Unimportant Respects?* (Cambridge, MA: John F. Kennedy School of Government, Harvard University, 1979).

56 Ibid., 453.

57 Ibid., 453–454.

hands may well be tied by legislation. For instance, the Antideficiency Act restricts the expenditure of funds to only those specific programs and projects authorized by Congress, within an identified timeframe.[58] Managers that violate this law can be held criminally liable.

Rainey and Bozeman conclude their assessment of available comparisons with the statement that:

> Unless there is reason to believe that problems of measurement, logic, or bias that are *systematic* [authors' emphasis] across a wide range of studies (a possible, but not very probable, proposition), the convergence of findings (that public and private management are more similar than different) lends strong support to the conclusion that the results are true.[59]

While differences between public and private management are acknowledged in all the literature, most core functions and managerial attitudes are similar enough to allow for comparison across the domains.

2. Centralization versus Decentralization

To centralize or decentralize decision making and functions is one of the primary assessments that is made in an organization. The question of the right amount of centralization in an organization is pivotal to matching the structure to the chosen strategy. The writers in this field are all in agreement as to the necessity of getting the mix right, but they fully agree on little else, including the definition of centralization. If the disagreement was purely about matching strategy to organizational structure, there would be some hope for a mechanistic approach to the problem; however, beyond efficiency and efficacy lies the question of who will wield power in the organization. In the words of Kates and Galbraith, "Centralization versus decentralization is one of the most highly charged issues in organizational design, as it to the heart of where power lies in a system."[60]

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[58] Donald F. Kettl, "Managing Boundaries in American Administration: The Collaboration Imperative," *Public Administration Review* 66, no. S1 (2006): 10–19.

[59] Ibid., 466.

[60] Kates, and Galbraith, *Designing Your Organization*, 142.

Max Weber, the originator of the term "bureaucracy," conceptualized the organization based on six principles:

- There are jurisdictional boundaries that are set by rule
- Organizations have a fixed hierarchy of authority
- The organization is administered via written files
- Managers are well trained
- Management of the bureaucracy is a full time profession
- The management runs the organization through general rules and procedures that are relatively stable, more or less exhaustive, and that can be learned.[61]

From these principles are derived organizational concepts such as span of control and unity of command and authority that are still widely taught and practiced in organizations. Both implicit and explicit in Weber's work was the concept of centralization and the notion of a boss who whose main job it was to make the important decisions.[62] It was the workers' job to carry out the orders of the boss.

By the mid-1960s, sociologists had begun questioning the utility of Weber's model. In 1965, Zannetos was referring to the "vague notions …of unity of command, span of control, responsibility, and authority."[63] Indeed, Zannetos advocated for the decentralization of large enterprises and attempted to reduce the level of decentralization needed to a mathematical formula.[64] Additionally, Zannetos acknowledged that the formula could only be used on theoretical organizations and decentralization was a relative term. In actual practice, he identified level of decentralization through a three-step process. The first step is to observe the number of hierarchal levels in the organization. More layers indicate more decentralization. The second test was the quality of decisions that are made in lower levels of the organization. Lower-level decisions that had impact beyond the subunit would be an indicator of decentralization rather than

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[61] Roger Mansfield, "Bureaucracy and Centralization: An Examination of Organizational Structure," *Administrative Science Quarterly* 18, no. 4 (1973): 477–488, DOI: 10.2307/2392200.

[62] Ibid.

[63] Zenon Zannetos, "On the Theory of Divisional Structures: Some Aspects of Centralization and Decentralization of Control and Decision Making," *Management Science* 12, no. 4 B (1965): B-50. .

[64] Ibid, B-53.

typical delegation. The last test is to determine the number of decisions that are made within the subunit as opposed to originating from outside but not necessarily above the subunit. This last test of dependency would be illustrated by units that must negotiate for resources from sister subunits of a larger enterprise.[65] Such a situation is demonstrated in FEMA responses. FEMA itself only has approximately 2,400 employees, and it must depend on other federal and local resources to implement its emergency plans.[66]

Zannetos also makes a helpful distinction between control and decision making in that control implies reacting to inputs and applying knowledge or resources in reaction to the environment based on rules and practice. Decision making "goes beyond control in that it includes future planning and the assessment of the future consequences of present decisions."[67]

Kates and Galbraith call the decision to centralize or decentralize "one of the most vexing questions in organizational design."[68] They also explain, "more than any other organization design change, the oscillating between centralization and decentralization is more often and attempt to correct past abuses than a forward looking method of implementing a strategic direction."[69] The authors look at situations in which it usually clear-cut as to whether centralization makes sense. One such example is the corporate center strategy. This strategy centralizes resources and decision making at the headquarters level where value is added throughout the organization in such matters as legal and public relations. For the most part, these are fairly generic services that do not depend on specialized knowledge that is found lower in the organization. Corporate center strategy can also be successful in developing talent that will be used and shared across the enterprise and be able to take a strategic view of the operation when assigned

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65 Ibid., B54–B55.

66 Charles R. Wise, "Organizing for Homeland Security after Katrina: Is Adaptive Management What's Missing?" *Public Administration Review* 66, no. 3 (2006): 302–318.

67 Ibid., B56.

68 Kates, and Galbraith, *Designing Your Organization*,

69 Ibid., 142–143.

to any of the units. In general, the more diverse or widespread the enterprise, the less value can be added at the headquarters level.[70]

While the exact definitions of centralizing or decentralizing vary among the authors, they are in general agreement as to the relative advantages and disadvantages of each. In general, centralization is valuable to ensure consistency across the enterprise. Centralization has also been claimed to be a more efficient system in that decisions are often require approval at a higher level, thus decreasing the risk of errors.[71] However, this advantage can quickly be negated if the centralized authority proves to be incompetent, as was alleged concerning FEMA chief Michael Brown during Hurricane Katrina.[72] Centralization also assures that resources are properly allocated, their use is maximized, size creates leverage with regulators and vendors, and operations can be more tightly controlled from the center. Kates and Galbraith make the seemingly paradoxical claim that only very trivial or very important decisions are best made at the center of a large enterprise.[73] An important decision taken at the center of an enterprise is going to resonate down to the lowest levels where the effects of the decision may not have been well thought out by the organizational center. Therefore, the decision needs to be critical for the wellbeing of the entire enterprise, even at the expense of some lower level effectiveness. The comment about taking trivial decisions at the center is just an acknowledgement that routine decisions should be made at the SBU level and not pushed up the command chain.

Advantages of decentralization include speed of decision making, a better record of innovation, differentiation where appropriate, closeness to customers, and ability to rapidly adapt to environmental changes. Disadvantages include potential duplication of

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70 Ibid., 144.

71 John R. Hollenbeck et al., "Asymmetry in Structural Adaptation: The Differential Impact of Centralizing versus Decentralizing Team Decision-Making Structures," *Organizational Behavior and Human Decision Processes* 114, no. 1 (2011): 64–74, DOI: 10.1016/j.obhdp.2010.08.003.

72 Ali Farazmand, *Crisis and Emergency Management: Theory and Practice*, 2nd ed. (Washington, DC: CRC Press, 2014).

73 Kates, and Galbraith, *Designing Your Organization*, 154.

effort, loss of standardization, estrangement from the parent organization, and communications silos.

3. Matching Strategy to Centralization Decisions

Several empirical and meta-studies have been conducted to measure the effects of centralization and decentralization when combined with each of Miles et al.'s four strategic typologies of prospector, analyzer, defender, and reactor. While some caveats are given, especially in the naming of organizational strategies as analyzers as opposed to firms that act as reactors in some instances and defenders in other, the model has been supported by Govindarajan, Desarbo and others. Govindarajan, utilizing an extensive literature review, has studied the link between decentralization and effectiveness as measured against three strategic models: four typologies of Miles et al., the build versus harvest model, and Porter's differentiation versus low cost model.[74] For analysis, Govindarajan considers the dimensions of environmental uncertainty, technology, and interdependence. While all models basically tracked each other in expected result, the Miles et al. model was more nuanced as a result of not being as binary as the other models. Govindarajan developed a series of hypotheses that can be summarized as: in turbulent environments, a prospector strategy with higher levels of decentralization is more successful. For stable environments, a defender strategy with higher levels of centralization yields best results.

This same pattern held for technological changes. In the case of high interdependence between SBUs, it was found that prospectors did more poorly with high levels of interdependence with other SBUs as a result of being slowed down to the pace of the slowest interdependent SBU. Defender organizations did well with more interdependencies and were able to successfully leverage more resources.

Desarbo et al. conducted a study of the P-A-D-R typology through a survey of 800 firms in China, Japan, and the U.S. in which they measured strategy in the five areas of market-linking, technological, marketing, information technology, and management

74 Vijay Govindarajan, "Decentralization, Strategy, and Effectiveness of Strategic Business Units in Multibusiness Organizations," *Academy of Management Review* 11, no. 4 (1986): 846–847.

capabilities.[75] In their survey, Miles et al. then used the results to divide the firms into four groups that were derived by combining their relative strengths with the strategy typology as proposed. As expected, no firm had a pure typology across the board. The results of the analysis again validated the general typology originally proposed. The general findings of Miles et al. were that prospector/analyzer firms operate well in high tech, rapidly changing environments, and are not especially strong in marketing, as the market is so rapidly changing. Defender/reactor firms had strong marketing and management skills and were weaker in technology skills. Widely mixed firms had stronger management and market-linking skills but were the worst performers of the four groups. Interestingly, every firm in this category of worst-performing groups came from the United States.[76] The last group is also prospector/analyzers like the first group, but these firms had strong performance across all the dimensions, along with the second group composed of defender/reactors, were the strongest performing firms.

This large study again tends to validate the model of Miles et al. across a wide range of industries and cultures. A shortcoming of the study, for purposes of this literature review, is that none of the units studied were government entities, although in 2005, when the study was conducted, there was considerable government involvement in Chinese firms.

4. Switching Centralization Strategy in an Existing Organization

The centralization versus decentralization debate is ongoing both in the private sector and in public agencies. For instance, in 2003, the Home Depot centralized its purchasing from its regional offices into a single location at its Atlanta headquarters at the same time that Lowes was decentralizing its purchasing.[77] The irony is that each may well have been making the proper strategic move given its competitive environment. In this same timeframe, the DHS was being formed from 22 separate and largely

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[75] Wayne S. DeSarbo et al., "Revisiting the Miles et al. Strategic Framework: Uncovering Interrelationships between Strategic Types, Capabilities, Environmental Uncertainty, and Firm Performance," *Strategic Management Journal* 26, no. 1 (2005): 54–55, DOI: 10.1002/smj.431.

[76] Ibid., 62.

[77] Hollenbeck et al., "Asymmetry in Structural Adaptation."

autonomous agencies into one, centrally controlled entity. Given that organizations are constantly being amalgamated and larger organizations formed through mergers and acquisitions, this may seem as another example of business as usual, however, moving from a decentralized structure to a centralized one is more difficult than moving in the opposite direction.[78]

Hollenbeck et al. found that the efficiencies and organizational accountability that are more typical of centralized organizations were lost when moving personnel who were more used to operating in a freer, decentralized system. Conversely, the team found that employees moving from a more structured, team-oriented, environment were much more easily absorbed into a decentralized system. This difficulty lies in fact that employees, coming from a loosely coupled organization who are responsible for their own decisions and performance, balk more at the control built into tightly coupled systems.

The researchers found that the employees going from the tight structure to the looser one adapted more quickly and more thoroughly. The experimentally validated hypothesis of Hollenbeck et al. indicates that in making a change from a more decentralized structure and moving to a centralized one, "centralization will be negatively related to both efficiency and adaptability."[79] This may go some way in explaining some of the initial problems that DHS has had in bringing all its diverse elements into a unified whole.

E. LITERATURE REVIEW SUMMARY

The role of centralization in public organizations is an important and unsettled issue that stretches back to the beginning of the study of bureaucracy. The importance of having the right level of centralization is a matter of both efficiency and efficacy. Organizations that are too highly centralized are slow to respond to customer demands and create frustration among both the customers and the employees by requiring rivers of red tape. Organizations that are too decentralized may not be conducting business in accordance within required guidelines, and this can create problems of inequity,

[78] Ibid.

[79] Ibid., 67.

duplication of efforts, or actually working at cross purposes with other parts of the organization.

Appropriate levels of centralization can be determined by matching the organizational strategy with the operating environment. A mismatch between strategy and environment or strategy and level of centralization leads to decreased performance in all studied cases. Therefore, government calls for increased decentralization in order to increase responsiveness may not be appropriate if the given organization's strategy and environment are not properly matched with a need for decentralization.

Although the majority of strategy typology studies have been conducted on private enterprises, research has shown that many of the differences between the management of public and private organizations are more perceived than real. With some exceptions, such as personnel policies, there is more overlap between the two types of entities than differences, and similar organizational principles can be applied to both.

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III. CASE STUDIES

A. CASE STUDY ONE

Many studies are conducted of industries, businesses, or other types of organizations to better understand the factors that influence performance. These individual studies are usually limited to a single organization or, occasionally, an entire industry due to time and cost restraints. The various studies also use different methods and typologies in their studies so that they can be difficult to compare and correlate with similar studies using different measurements or typologies. This meta-study confirms the efficacy of strategic typology of Miles et al. in a business setting and supports their contention that matching strategy to environment results in enhanced performance.

The examined case was conducted to examine the efficacy of Miles et al. strategic typology theory using a wide cross-section of studies and methodologies. This meta-study, taken on as a doctoral class project at the University of Oklahoma, evaluates 40 tests of the environment-performance linkage as described by multiple researchers using different methodologies and timeframes. Throughout organizational research, different authors have assigned different names to similar constructs concerning the relationship of an organization's strategic configuration to its long-term performance in a given type of environment. At various times, organizational strategic typology has been identified using different terminology and identifying characteristics. These strategies were then used to attempt to predict performance based on an optimal fit between the chosen strategy and the environment in which the organization was operating. The predicted relationship between strategy and environment is a key component of structural contingency theory.[80]

The analyzed meta-study used a jury system to place the firms in either a stable or unstable environment and then ranked each organization along a continuum as either more of a defender type, with strong centralization and formalization, or a prospector

[80] David Ketchen, Jr. et al., "Organizational Configurations and Performance: A Meta-Analysis," *Academy of Management Journal* 40, no. 1 (1997): 223–240, DOI: 10.2307/257028.

type, using a more informal and decentralized strategy. The jury also ranked the studies by whether they were cross-sectional or longitudinal and whether predictions coming out of the study were inductive or deductive. These additional comparison points were used to assess hypotheses about the expected results of the meta-analysis.

A series of hypotheses were developed for the meta-study:

- Hypothesis one: As a group, extant studies reveal performance differences between organizational configurations.
- Hypothesis two: Studies using inductively derived configurations will report a stronger relationship (higher meta-analytic effect-size estimates) with performance than studies using deductively derived configurations.
- Hypothesis three: Studies using longitudinal designs will report stronger configurations-performance relationships than studies using cross-sectional designs.[81]

The results of the meta-study confirmed the first hypothesis that different organizational configurations yielded different performance levels given a similar environment. Using statistical methods, the researchers calculated that 28 percent of the difference in performance for any given firm was attributable to matching the organizational configuration to the environment.[82] What the Ketchen et al. did not find was that certain configurations were precluded by environmental factors. In fact, all typologies were present in all environments—they just exhibited different levels of performance.

In somewhat of a surprise to the Ketchen et al., hypothesis two was not supported by the analysis. The researchers had hypothesized that because measurements of adopted strategy are broadly subjective, confirmation bias would tend to direct researchers to a model that broadly fit their observations. This was not borne out by the meta-study. The prediction of performance was statistically identical in both cases where configuration was derived inductively and deductively.[83] Hypothesis three showed markedly stronger effect sizes from longitudinal studies than from cross-sectional studies and was thus

81 Ibid., 226–228.

82 Ibid., 231.

83 Ibid.

supported. This hypothesis was based on the assumption that cross-sectional studies yield a snapshot of the company's strategy and performance. As strategy has been shown to drift over time,[84] longitudinal studies would be expected to demonstrate a more consistent pattern of strategic choices and a better gauge of performance.

In conclusion, the Ketchen et al. claim, "The results remove any equivocality surrounding configurations' ability to predict performance."[85] The fact that the longitudinal studies were more predictive than the cross-sectional studies is also telling, as the cross-sectional studies are more of a snapshot in time. In addition, the environment that the organization is operating in may be in flux at that particular moment; however, is not indicative of the longer time horizons for which enterprises must be configured. The researchers also found wide agreement between the competing typologies that the various studies had used to describe the organizational configurations. They recommend a common vocabulary for future studies to allow for easier comparisons of results in the future.[86]

These findings are significant in that they validate the predictive power of strategic typology in studies done over a period of 25 years in multiple disciplines using varying methodologies. The theory also holds up whether it is applied inductively of deductively, adding to its probability of validity. The longitudinal studies also add weight to the veracity of the typologies and their long-term effect on performance. The study by Ketchen et al. also shows that organizations with a mismatched configuration can survive and even thrive under certain conditions; however, businesses that are not matching their implementation strategy to the environment are putting themselves at a competitive disadvantage. This becomes suggestive when applied to protected government agencies. Since most government agencies operate in a protected environment with little to no competitive forces acting on them and no yardstick of comparison, they seem to be doing

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84 Danny Miller, and Peter H. Friesen, "Innovation in Conservative and Entrepreneurial Firms: Two Models of Strategic Momentum," *Strategic Management Journal* 3, no. 1 (1982): 2, DOI: 10.1002/ smj.4250030102.

85 Ketchen et al., "Organizational Configurations and Performance," 223–240.

86 Ibid. 234.

very well with a mismatched environment and strategy. In fact, they may be seriously undershooting their potential by as much as 32 percent.[87]

A limitation of the study by Ketchen et al. is that no government entities are included; yet, this need not be a fatal shortcoming. In the case of these studies, performance is measured by fiscal performance, which would not apply to government or non-profit agencies. The studies that were part of the meta-study were nonetheless broad in scope, looking at everything from turbulent businesses, such as electronics to highly regulated industries (e.g., banking, insurance, and health care). The point of this meta-analysis was to validate the connection between organizational configuration and long-term performance, which is what the study in fact shows. A difficulty in applying a meta-study such as this to public entities is that some agencies supply only services that are very difficult to measure (e.g., homeland security) and thus quantifying the relative success of one agency against another in similar environments. To say that the same percentage of success could be applied to public entities is not supported, but the value of strategic alignment is.

A key assumption in strategic typology is that defender type-organizations do best in stable environments, and typically they have very formalized procedures and centralized decision making. At the other end of the spectrum, where the organization is dealing in an uncertain or constantly changing environment, a prospector strategy is called for. This strategy relies on few rules and more decentralized ability to make decisions based on a rapidly changing environment and a need for innovation.

These typologies have been applied to public agencies with similar expectations. Prospectors would be identified as leaders in their fields and would be innovative and would potentially be expected to intrude into other agencies' policy spaces.[88] A defender would be protective of the current political space and budget and not be looking to

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[87] Snow, "A Configurational Approach to the Integration," 431.

[88] George A. Boyne, and Richard M. Walker. "Strategy Content and Public Service Organizations," *Journal of Public Administration Research and Theory* 14, no. 2 (2004): 240, DOI: 10.1093/jopart/muh015.

expand or contract its activities, and a reactor would be identified by having its actions imposed on it either from above or through regulatory processes.[89]

B. CASE STUDY TWO

The next case examines the effect of centralization and organizational strategy on public agencies. In addition, this case study examines how centralization, both in and of itself and in combination with organizational strategy, affected the performance of 53 separate United Kingdom (UK) public service agencies. The particular agencies that were studied were all Welsh local authorities. The theory behind using Welsh agencies was that all the different agencies would have the same governing rules and policies, and thus no adjustments would need to be made for dissimilar oversight. Additionally, all Welsh agencies are audited on a yearly basis, thus giving baseline and comparative information. The service provided by the agencies were "education, social care, regulatory services, (such as land use planning and waste management), housing, welfare benefits, leisure, and cultural services."[90] Specifically, the study looked at eight educational institutions, nine social services organizations, seven housing authorities, seven road departments, 10 public safety agencies, and 12 benefit and revenue departments.[91] Another feature of the Welsh local agencies is that they are free to develop their own means of delivering service so long as they achieve stated objectives. Because of this, each service sector was expected to have a mix of defenders, prospectors, reactors, and analyzers.

The Welsh system of governance in the case being examined may be considered collaborative federalism in that the national government supports independent action by the state or local governments. This is in contrast to the U.S. system that is more of a dual federalism in which each level of government asserts sovereignty.[92] Thus, performance feedback in the Welsh system differs significantly from the U.S. system in several ways. Additionally, the Welsh system allows for local experimentation in service delivery, and

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89 Ibid., 240.

90 Rhys Andrews et al., "Centralization, Organizational Strategy, and Public Service Performance," *Journal of Public Administration Research and Theory* 19, no. 1 (2007): 64, DOI: 10.1093/jopart/mum039.

91 Ibid., 64.

92 Caudle, "Centralization and Decentralization of Policy."

the effects of those services is then measured against both other similar services and the previous year's baseline of service delivery. This allows for both customization for local conditions as well as the evaluation and adoption of improved methods.

In the United States, a corporate center or headquarters that prescribes acceptable methods of doing business across the country and exercises policy control from the top to control federal agencies. This model has not allowed for attempting multiple strategies, which are then measured for efficacy. Thus, the literature assessing strategic typologies has focused on European countries. Different strategies for addressing common problems are commonly used at the state level, but varying policies and governance in the states, as well as differing measures of success, does not allow for a common baseline from which to measure. This being said, the individual types of services and the means of delivering those services in the Welsh system are analogous to service provision in the U.S. The available literature on equivalent studies of U.S. security agencies is lacking.

The purpose of the study was to identify the type and environment that the agencies operated in and then determine the strategic fit of the agencies and compare the success of the agencies that had adopted different strategies in similar environments. While the different agencies were not in direct competition with one another, they could be compared to both baseline performance measures and similar agencies with similar performance metrics. Degree of centralization and strategy typology were determined by surveys that were distributed to the senior and middle managers in each of the studied agencies.

This project was taken on in response to a relative lack of research on the effects on performance by public entities in relationship to their degree of centralization.[93] The lack of empirical study of the effects of centralization on public agencies is surprising because so much has been assumed about the effects. Early texts, such as Taylor's "scientific management," espoused centralization as a condition of good management in large organizations.[94] Later, authors came to blame excessive centralization in

[93] Ibid., 59.

[94] Frederick Winslow Taylor, *The Principles of Scientific Management* (New York: Harper & Brothers, 1911).

government for slowness, excessive rules, organizational bloat, and indifference to customer needs.[95] The research that has been done has been contradictory; some studies show significant benefits to centralization, and others show the opposite.[96] Overall, the authors determine that the preexisting evidence is that centralization has no profound impact on the performance of public agencies.[97] This becomes all the more significant in light of the strong push to decentralize government functions as espoused in the NPR.[98]

Where Andrews et al. aimed to differ from the previous studies on centralization effects is that they coupled the level of centralization with Miles's et al. P-A-D-R strategic typology and measured the effects of having a properly matched level of centralization and strategy. The authors used the classic pairing of a more aggressive centralization mode with a defender strategy that attempted to enhance and improve existing services and products. A more decentralized decision-making model is more appropriate to a prospector strategy, which is looking to disrupt the status quo with new products, methods, or technologies. Because of the rapid pace of change in the prospector's environment, rigid rules and policies would not cover rapidly emerging opportunities or threats. Likewise, long lines of communication and the time needed to bring upper level decision makers up to speed on evolving events are too slow to be able to take advantage of changing circumstances. In these cases, authority is vested in lower level employees.

Andrews et al. conducted the research with an eye to whether the individual agencies were looking at both the "lagging and leading" relationship with strategy.[99] The lagging portion of strategy analysis looks backward over past performance and attempts to discern those portions of both the strategy and the implementation that led to the results, whether good or bad. The leading portion looks to the future to see what sorts of adjusts must be made to either bring the strategy into alignment with the environment, or

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95 Tsai Wenpin, "Social Structure of 'Coopetition' within a Multiunit Organization: Coordination, Competition, and Intraorganizational Knowledge Sharing," *Organization Science* 13, no. 2 (2002): 179.

96 Andrews et al., "Centralization, Organizational Strategy, and Public Service Performance," 60.

97 Ibid.

98 Gore, *From Red Tape to Results.*

99 Andrews et al., "Centralization, Organizational Strategy, and Public Service Performance," 62.

to bring implementation into line with the chosen strategy.[100] Measurement of degree of centralization was determined by level in the organization that had the power to make decisions and the amount of input different levels had in the decision-making process.

As with other studies, the strategic typology was determined by administering questionnaires based on a seven-point Likert scale to the managers in the various agencies. The questions and the indicators of typology used by Andrews, Boyne, and Walker are listed in Table 3.[101]

Table 3. Survey Items and Factor Analysis for Strategy Archetypes

Prospector	**Defender**	**Reactor**
We continually redefine our service priorities.	We seek to maintain stable service priorities	We have no definite service priorities
We seek to be the first to identify new modes of delivery.	The service emphasizes efficiency of provision.	We change provision only when under pressure from external agencies.
Searching for new opportunities is a major part of our overall strategy	We focus on our core activities.	We give little attention to new opportunities for service delivery.
We often change our focus to new areas of service provision.		The service explores new opportunities only when under pressure from external agencies.
		We have no consistent response to external pressure.
N=90		

Adapted from Rhys Andrews, George A. Boyne, Jennifer Law, and Richard M. Walker, "Centralization, Organizational Strategy, and Public Service Performance," *Journal of Public Administration Research and Theory* 19, no. 1 (2007): 57–80. DOI: 10.1093/jopart/mum039.

[100] Miles et al. "Organizational Strategy, Structure, and Process," 550.

[101] Andrews et al., "Centralization, Organizational Strategy, and Public Service Performance," 67.

When considering the isolated performance effects of centralized versus decentralized decision-making, there was no apparent effect. Andrews, Boyne, and Walker propose that in a public agency, the need to build support for a decision among various interest groups may negate any advantages that come from rapid decision making.[102] However, when the degree of centralization was paired with strategic fit, the authors found, "Organizations that adopt a defending strategy enhance their performance if they centralize authority and reduce decision participation."[103]

In the case of prospector organizations, it was found that the optimal level of centralization involved more participatory decision-making as opposed to simply delegating decisions down the command chain.[104] While this may seem counter to the proposition laid out initially by Miles et al., by linking the street-level operators with the management who should have both a more strategic view of the operation and more information gleaned from collaboration with other managers and operators, better decisions could be expected as well as better implementation if the operator knows the critical factors that went into making the decision in the first place.

As expected, the level of centralization had no determinant effect on reactor organizations. Active participation of different levels of the organization in decision making also failed to affect performance in these organizations. By definition, reactors are driven by outside influences, and thus the opportunity to make substantive decisions may not be available, or the organization may lack the capacity to make decisions that resist outside influences.[105]

The conclusions of the case study are significant in several ways. Andrews, Boyne, and Walker were able to show an empirical, rather than a perceptual, impact of aligning centralization, strategy, and environment in public agencies. The study also

[102] Ibid., 70.

[103] Ibid., 71.

[104] Ibid., 72.

[105] Ibid., 73.

undercuts the general push for more decentralization as a good in and of itself, as has been recommended in texts such as *Reinventing Government* and the NPR.[106]

The limitations of the study are that it was done as a cross-sectional study rather than a longitudinal study, and thus the results may not be strong over a longer time that proves to be more tumultuous or across different levels or types of governments. Also, according to the authors Andrews, Boyne, and Walker, "It is possible that causation leads in the reverse direction to that hypothesized: levels of performance in certain contexts determine the adoption of particular strategies and organizational structures."[107] The use of empirical data, such as school scores, benefits processed on time, and pedestrian deaths, may also have unintended consequences in that these well known, static issues represent a fairly stable environment that the organizations were working in. These well-known issues have a long history and are not emergent or unexpected problems, but the methods for dealing with them may well be new or unique. Another anomaly in the public sector may be the lack of interference or high level political meddling in these local jurisdictions. However, empirical data and an unambiguous baseline of performance is a compelling validation of the value of matching centralization to strategy, and strategy to environment.

The simplicity of the questionnaire that was used to identify the strategic typology of the studied agencies is also interesting from the point that while it is likely that most managers would be able to identify what their strategic goals are, they would have difficulty in identifying the adaptive process that would give them the best chance of success,[108] and thus the best strategic implementation combination as identified in this study.

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[106] David Osborne, and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (Reading, MA: Addison-Wesley Publisher, 1992).

[107] Andrews, Boyne, and Walker, "Centralization, Organizational Strategy, and Public Service Performance," 74.

[108] Miles et al., "Organizational Strategy, Structure, and Process," 547.

IV. DISCUSSION AND ANALYSIS

A. CENTRALIZATION VERSUS DECENTRALIZATION

As conceived by Max Weber, centralization was a definitional aspect of bureaucracy. Into the owner or top manager was vested the knowledge, power, and authority to direct all the work and utilize all the resources of the organization.[109] As organizations grew in both size and complexity, the amount of decisions and the specialized knowledge required to run the different work units of the larger U.S corporations had far outstripped the abilities of even the most talented executives, and power had devolved down the organizational structure to the work unit level. By 1965, organizations had grown so large, complex, and decentralized that Zannetos wrote of the coming revolution in computerization that would allow for the recentralization of industry in America.[110]

The concept of centralization is straightforward—it is that the power to make decisions and access resources are located at the highest levels of the organizational hierarchy. Hage and Aiken explain, "The first indicator of centralization is a measure of the power to make work decisions, which we call hierarchy of authority."[111] This power is then extended to make policy decisions and finally the power to make work decisions that affect the organizational structure.[112] Andrews, Boyne, and Walker et al., when speaking specifically of public agencies, add the dimension of participation in the decision-making process.[113] That is, the further down in hierarchy that people are meaningfully consulted on policy decisions, or take consensual decisions, the more decentralized the organization.

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[109] Mansfield, "Bureaucracy and Centralization."

[110] Zannetos, "On the Theory of Divisional Structures," B49.

[111] Jerald Hage, and Michael Aiken, "Relationship of Centralization to Other Structural Properties," *Administrative Science Quarterly* 12, no. 1 (1967): 74, DOI: 10.2307/2391213.

[112] Ibid.

[113] Andrews et al., "Centralization, Organizational Strategy, and Public Service Performance," 58.

The benefits of this centralized type of a power structure are nearly universally listed as enhancing the ability to ensure consistency and accountability throughout the organization, eliminate duplication, control resources, and achieve economies of scale. Disadvantages of centralization are acknowledged as slowing down decision making, removal of decision makers from end customers, and excess formalization of processes in the form of extensive and detailed policies and procedures that are used as a proxy for authority in the lower levels of the organization.

In bureaucracies, this formalization is typically known as "red tape."" A high level of formalization is nearly a requirement of highly centralized organizations. Extensive use of formulaic rules and detailed policies help assure consistency across wide distances, both geographically and organizationally. While the term "red tape" is usually used in a pejorative sense in that seemingly simple tasks have many detailed steps or take an inordinate amount of time to accomplish, these rules were put into place as a response to an experienced or anticipated problem. Governmental processes are often designed to move slowly to assure that such requirements as adequate public notice can be observed. As Guy and Savoie note, "One man's red tape is another man's due process."[114]

While it may seem that decentralization would just be the opposite of centralization, the effects are more nuanced than may be detected by intuition. Advantages of decentralization are generally seen as increased speed to get a decision, greater innovation, as more people are looking at solving problems rather than looking to a policy manual or a higher-up for a solution. In a decentralized organization, decisions are made closer to where the end users of the product or service are, which allows for more individualized service. The effect on employees is often better in a decentralized system as employee morale and efficiency are improved as result of the ability to develop talent locally and employees feel more empowered.[115]

Modern communications and information technology have made many of the older industrial hierarchal organizational structures less desirable. These structures were

[114] Guy, and Savoie. "Managing Incoherence," 285.

[115] Kates, and Galbraith, *Designing Your Organization*, 157.

based on the assumption that work was predictable and could be broken down into simple, discrete tasks that would be accomplished by workers with little education or training. Decision making was reserved for those higher in the organization who had the education, training and, most importantly, the information needed to make decisions. Better trained and educated workforces, along with the spread of modern information networks, renders much of the former reasoning for a hierarchal structure obsolete, but the structure itself still carries benefits in certain situations.

Many high level public agencies, including the World Bank and the International Monetary Fund (IMF), have subscribed to the New Public Management movement that encourages decentralization as a general solution to the impersonal and ponderous pace of government action. Decentralization has also been put forward as creating more accountability in government, limiting the size of government due to eliminating middle layers of management, and restricting opportunities for corruption.[116] However, other research has shown that decentralization is not a panacea in its own right. One problem with large-scale decentralization on an enterprise level in government is that agencies can find themselves working at exact cross-purposes. For instances, the Department of Agriculture (USDA) pays farmers to take arable land out of production at the same time that the Bureau of Reclamation spends vast sums to make non-usable land arable.[117]

Disadvantages of decentralization are basically the same as the advantages of centralization, especially when consistency is a critical element of the product or service being offered. This is especially germane in government services where unequal handling of an issue can be the source of lawsuits for "arbitrary and capricious" treatment or public outrage.[118] Other disadvantages are that local innovations may not be shared throughout the enterprise and fragmentation resulting from employees identifying with the work unit

116 Stacey White, *Government Decentralization in the 21st Century* (Washington, DC: Centre for Strategic and International Studies, 2011), http://www.exercicescorriges.com/i_149683.pdf.

117 Guy, and Savoie. "Managing Incoherence," 284.

118 Ibid., 286.

rather than the parent organization.[119] This can lead to unnecessary duplication of effort or units working in direct opposition to one another.

While much of the business press extolls the value of decentralization, and governments are being urged worldwide to decentralize their operations,[120] decentralization is not a remedy for all governance ills in all places. Government has some special characteristics that cause the best-sounding business strategy to run aground.

The *National Performance Review*, issued in 1993 by then Vice President Al Gore was a top-to-bottom review of the performance of the federal government. The report ran to 174 pages and was broken down into four main sections: Cutting Red Tape, Putting Customers First, Empowering Employees to Get Results, and Cutting Back to Basics.[121] The main thrust of the section Empowering Employees dealt with decentralizing the federal bureaucracy and allowing employees at lower level of government, where most of the service is delivered, to make decisions and be less constricted by rules or have to wait less for instructions from supervisory levels above them. This strategy seems to fit in well with the previous goals of cutting red tape and putting the customer first.

However, in a government bureaucracy, the consumers of the goods and services provided are often not the purchasers,[122] thus distorting the typical market feedback loop. This can cause confusion as to the identity of the actual customer. Is the person receiving the service or the person paying for it the customer? These two will often have diametrically opposed views as to what constitutes good service. The end user may be looking for generosity while the taxpayer is looking for a tightly controlled, if not stingy, operation.

Another layer that is added atop these customers is the political aspect of government bureaucracy. By making government agencies "consumer driven,"“

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[119] Kates, and Galbraith, *Designing Your Organization*, 160–161.

[120] Pranab Bardhan, "Decentralization of Governance and Development," *Journal of Economic Perspectives* 16, no. 4 (2002): 185.

[121] Gore, *From Red Tape to Results*, 6.

[122] Pandey, "Connecting the Dots in Public Management," 514.

assuming the customer is the end user of the product or service being offered, this places the driving force of government with the clients, rather than with the elected officials or the public law.[123] Nothing in the NPR refers to a diminished oversight role for the politicians or the Senior Executive Staff (SES). Without organizational, policy, or strategic change, decentralization directives tends to cause more role ambiguity in managers than clarity of purpose.[124]

B. STRATEGY AND CENTRALIZATION

Kate and Gaibraith define organizational strategy as:

> Strategy is a company's formula for success. It sets the organization's direction and encompasses the company's vision and mission, as well as its short and long-term goals. The strategy derives from the leadership's understanding of the external factors (competitors, suppliers, customers, and emerging technologies) that bear on the firm, combined with their understanding of the strengths of the organization in relationship to those factors. The organization's strategy is the cornerstone of the organization design process.[125]

This definition describes what the strategy should look like and how it relates to its environment. As defined, the strategy is generic in the sense that most any manager in the enterprise would describe what she is doing as executing the strategy if she is performing the business of the organization. The conception and publication of the strategy would be the formulation stage, and the work done by the manager is the implementation part of the strategy. However, strategies can emerge unintentionally[126] through mission creep, subtle external environmental changes, or other internal forces. Implementation can also move away from the strategy as originally formulated. It may be problematic to determine whether a change in structure or the work of the organization is an actual change of strategy or merely an adjustment to the original strategy.[127] Studying strategies

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[123] Guy, and Savoie. "Managing Incoherence," 283.

[124] Ibid., 284.

[125] Kates, and Galbraith, *Designing Your Organization*, 5.

[126] Charles C. Snow, and Donald C. Hambrick, "Measuring Organizational Strategies: Some Theoretical and Methodological Problems," *Academy of Management Review* 5, no. 4 (1980): 528.

[127] Ibid.

becomes difficult because each strategy is a combination of mission, goals, and application of resources to reach objectives that are unique to the organization, thus making individual strategies difficult to quantify.[128]

This difficulty became apparent following the formation of the DHS. The formation of this superagency, through combining 22 existing agencies that each had at least a superficial role in the still-evolving definition of the homeland security enterprise,[129] reversed the adaptive cycle as described by Miles et al.[130] Creators of the adaptive cycle posit that organizations that are newly formed, or existing ones that have recently gone through a major crisis, must realign themselves to the new circumstances and redefine their mission or "organizational domain."[131] This was not done in the case of the agencies of the DHS in that each agency pulled into it was expected to take on new, additional missions in homeland security as an added responsibility without sacrificing its previous missions and without significant new resources to do so.[132] This lack of a new focus along with new resources demonstrates that the "entrepreneurial problem" was not addressed in the reorganization of the affected agencies. This failure to adjust the focus and resourcing of the new organization had cascade effects through the rest of the adaptive cycle. For instance, the thrust of addressing the "engineering problem" "involves the creation of a system which *operationalizes management's solution to the entrepreneurial problem*."[133] Without redirecting of the legacy organization to a new fundamental mission, the adaptive cycle is broken. The third leg of the adaptive cycle, the administrative problem, is the point where the organizational structures are adjusted and fine-tuned to move smoothly from the existing mission to the newly articulated one;[134] however, the top-directed rapid consolidation of the legacy

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[128] Ibid., 531.

[129] Peter J. May, Ashley E. Jochim, and Joshua Sapotichne, "Constructing Homeland Security: An Anemic Policy Regime," *Policy Studies Journal* 39, no. 2 (2011): 285–307.

[130] Miles et al., "Organizational Strategy, Structure, and Process," 546.

[131] Ibid. 549.

[132] Donald F. Kettl, *System under Stress: The Challenges to 21st Century Governance*, 3rd ed. (Thousand Oaks, CA: Sage Publications, 2014).

[133] Miles et al., "Organizational Strategy, Structure, and Process," 549.

[134] Ibid.

agencies to one corporate entity left scant opportunity to rationalize and articulate a new unified mission for all the elements of the new organization.[135]

In attempting to address the problems inherent in the adaptive cycle, Miles et al. applied typologies to strategies based on how the organization went about achieving their mission, as compared to other organizations in the same industries.[136] This framework has been repeatedly tested against various types of organizations in the public and private sector and, with some modifications, is still used in the analysis of organizational strategy. Although the typologies have been described as more descriptive than prescriptive,[137] they are still used to identify sets of characteristics that are stable and valid enough that organizations can be categorized along a continuum of strategy types by using a number of instruments. Generalizations can be made about how organizations that have taken on a certain strategic type can be expected to perform in a particular environment.[138]

For instance, prospectors are expected to perform better than other strategies when facing a turbulent environment. This stands to reason as prospectors are always looking for disruptive technologies or practices in order to gain a first advantage. If prospectors can help to create the disruptive environment, so much the better. Defenders tend to outperform others in stable environments. Stable environments with established markets give the defender time to hone their product or efficiencies and develop deeper relationships with customers. In contrast to prospectors and defenders, who have clear sets of priorities and methods, reactors lurch from one tactic to another in response to whichever environmental pressure seems the most important or pressing at the time.

> Reactors do not capitalize on the set of capabilities that they have built up, but rather shift strategic orientation in reaction to competitive pressures, thus they will usually be at a disadvantage to those firms that are competing from an established position of strength.[139]

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135 May, Jochim, and Sapotichne. "Constructing Homeland Security," 285–307.

136 Miles et al., "Organizational Strategy, Structure, and Process," 550.

137 DeSarbo et al., "Revisiting the Miles et al. Strategic Framework," 48.

138 Ibid., 49.

139 Ibid., 50.

The last of Miles et al.'s strategic types are the analyzers. Analyzers fill the gap between the prospectors and the defenders, in that they are rarely disrupters, but they carefully watch the environment and will attempt to be a close second in the market. This reduces the risk of putting large amounts of resources into products or services that may never establish themselves in the market. A motto that may be appropriate for analyzers is, "The early bird may get the worm, but the second mouse gets the cheese." This has implications in the homeland security field. If a homeland security entity waits for outside forces to take the initiative in developing disruptive technologies or application of terrorist techniques, it will be forever in a response mode rather than a predictive and preventative posture. As in the case of the 9/11 attacks, waiting to see what the adversary is going to do before developing countermeasures is unacceptable. Because all organizations do exhibit some level of response to the environment and may be a leader in one circumstance and more defensive in another, analyzers are not considered a unique typology among some researchers.[140]

Miles et al. first published their theory on the four strategic typologies in 1978. The paper was based on scant existing research and data from studying only four industries (academic book publishing, electronics, food processing, and public hospitals).[141] The theoretical framework that was developed in this first study was tested in 2004 across 709 companies in three countries[142] in order to check the theory that certain strategies will perform better when coupled with certain favorable environmental conditions. The study by DeSarbo et al. found that firms in all of the industries in all of the countries used mixed strategies, but each tended toward one of the generic typologies.[143] Furthermore, the use of specific typologies predicted more success in industries and environments favorable to that strategy. In general, a prospector strategy outperformed other strategies in fast developing fields, such as electronics, where innovation was driving the industry. Defenders did better than other strategies in fields

140 Walker, "Strategic Management and Performance in Public Organizations," 679–680.

141 Miles et al., "Organizational Strategy, Structure, and Process," 546.

142 DeSarbo et al., "Revisiting the Miles et al. Strategic Framework," 47.

143 Ibid.

that stressed marketing, customer development, and management skills such as finance and human resources.[144]

Just as environments that are stable or proceeding at a measured, incremental pace favor a defender type of strategy, this environment also tends to favor a more centralized style of decision making. This pattern is repeated with the more uncertain, fast-moving prospector atmosphere. The only cases in which reactor strategies were able to execute on a par, or even exceed the performance of any of the other strategic types, is in the case of a highly government-regulated industry—in this case the airline industry in 1980.[145]

Strategy alignment is key to organizational success and proper level of centralization is part of having the right strategy. The generalized finding that correctly matching strategic type to the industry environment predicts relative performance was validated by a meta-study done in 1997 that analyzed the results of 40 empirical studies. These studies examined multiple organizations using both cross-sectional and longitudinal methods over a period of up to 28 years.[146] The analysis scanned for differences of whether inductive versus deductive conclusions would differ, with an expectation that inductive conclusions would show a stronger correlation to performance than deductive. The analysis found that approximately 28 percent of performance differences could be accounted for based solely on strategic alignment, with no difference between inductively versus deductively derived conclusions.[147] These results make a strong case for the efficacy of the typology theory of Miles et al. and the value realized in properly aligning organizational goals with the proper strategy.

The public sector is no different than the private in its need to emphasize customer service, attract and retain good personnel, and demonstrate effective service. The recommendations of the *National Performance Review* mirror are widely considered to be best business practices. The chapter titles of the recommendations in the NPR are:

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144 Ibid., 57–58.

145 Charles C. Snow, and Lawrence G. Hrebiniak, "Strategy, Distinctive Competence, and Organizational Performance," *Administrative Science Quarterly* 25, no. 2 (1980): 333, DOI: 10.2307/2392457.

146 Ketchen et al., "Organizational Configurations and Performance," 229.

147 Ibid., 233.

Cutting Red Tape, Putting Customers First, Empowering Employees to Get Results, and Cutting Back to Basics. A card that was distributed to managers after the rollout of the NPR sums up the thrust of the report. The card contained the following:

Ask yourself:

- Is it good for my customers?
- Is it legal and ethical?
- Is it something that I am willing to be accountable for?
- Is it consistent with my agency's mission?
- Am I using my time wisely?
- Is the answer to YES to all these questions?
- If so, don't ask permission. You already have it. Just do it![148]

This checklist presents a simple way to allow managers to cut through layers of formalization and make decisions based on the facts in front of her, rather than adhering to a rule that was either formulated to take in all contingencies or was written in response to an unanticipated circumstance years before. Read in the context of the NPR, that is the executive intent—to allow managers to make decisions. However, in running down through the list, in the context of work in the federal government, it would be reasonable for the manager to still have questions about the intent and consequences that she may face if she guesses wrong. The first question that could come to mind may be who the customer actually is.

For outward-facing agencies, such as the Social Security Administration or the Internal Revenue Service, it is clear who the customers are. The customers are the citizens that utilize the services provided by these agencies. Agencies that provide services or funding to other agencies or jurisdictions, such as the Environmental Protection Agency or the Federal Emergency Management Agency (FEMA), have a largely outward-facing orientation and can also readily identify their customers. However, some agencies in DHS, such as the Coast Guard, have missions that are split between inward and outward orientations. In the case of the Coast Guard, literal

[148] Pfiffner, "The National Performance Review in Perspective," 60.

interpretation of this checklist could lead to mission creep or loss of mission focus. After 9/11, the Coast Guard was given the additional duties of terrorist interdiction along the longest coastlines and river systems in the world with no suggestion that it cut back on its prior missions of protecting fisheries from illegal activities, pollution control, drug interdiction, or assisting distressed boaters.[149] Under the above guidelines, frontline employees could justify nearly any activity as falling under the Coast Guard's mission without actually adding any value to the enterprise.

Investigative agencies, such as the FBI, have a combination of inside and outside customers in that it works directly with and for both private citizens and industry and government. Intelligence agencies have an inward-focus and their customers are, for the most part, their bosses. While it is generally a good idea to please one's superiors, the items on the "empowerment list" were clearly not written for inward-facing organizations.

As far as legal and ethical, if a rule is being broken or overridden, will that in fact be considered legal or ethical? If there is any question, the "reasonable person" doctrine with all its attendant vagaries, will most likely be used to evaluate the decision. This uncertainty may be enough to make the manager unwilling to be held accountable if she has no reasonable way of knowing how the decision will be judged or what the accountability will look like.

The other questions in the list may not be as fraught as the ones at the top of the list, but still put the manager in the position of having her judgment questioned with unknown consequences. For any manager that is unsure of the level of commitment that her supervisor has for the decentralization effort, the safest path is to always defer to the policy manual.

At least as far back as 1947, with President Truman's establishment of the first Hoover Commission, efforts to decentralize what was considered a monolithic federal

[149] Kettl. *System under Stress*.

government have met with limited and short-lived success.[150] This has been attributed to intense centralizing pressures[151] from politicians as well as upper managers, and no corresponding demand for less formalization from lower level bureaucrats.

Applying a blanket prescription to agencies to decentralize their decision making and unleash the creative power of the workers has a serious flaw if the work of the social scientists studying organizational effectiveness is taken seriously. Study after study shows that peak performance is linked to having a strategic typology that matches the environment. Again, using the P-A-D-R typology of Miles et al., organizations that are operating in a stable environment are better served by a defender strategy, and defender strategies are best served by centralized decision making. This is not to say that there is no place for decentralization in government or that the level of formalization is optimal. However, an early appraisal of the effectiveness of the NPR that was done at the close of the Clinton administration found only spotty successes and, while not commenting on the value or suitability of the proposed changes, concluded that the changes would have been better received if the implementation strategy had more closely aligned with the changes that were being attempted.[152]

In a large agency, it can be expected that different levels of the organization will be exposed to different environments that present different pressures and opportunities. This can lead to organizations having a good environmental fit but a poor internal fit. If this occurs, it can be expected to send shock waves up through the organization and threaten political discord.[153] This conflict between corporate strategy and level of centralization may occur in agencies that are stratified between a stable administrative core and lower layers that deal in volatile environments such as occurs in criminal investigation or in disaster response. An example of where tight coupling would be a

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[150] William Pemberton, "Hoover and Truman: Truman and the Hoover Commission," Truman Library, 1991, https://www.trumanlibrary.org/hoover/commission.htm.

[151] Pfiffner, "The National Performance Review in Perspective," 62.

[152] Thompson, "Reinvention as Reform," 509.

[153] Danny Miller, "Environmental Fit versus Internal Fit," *Organization Science* 3, no. 2 (1992): 160–161.

problem is in agencies that are expected to stay ahead of developing trends, such as terrorism or cybercrime.

A famous example was exposed during the post 9/11 investigation when it was revealed that Phoenix FBI agent Kenneth Williams had warned of possible terrorists taking flight lessons in order to hijack planes, but he was not given the authority to follow up with an investigation.[154] Likewise, intelligence coming out of the Minneapolis office of the FBI was dismissed at headquarters as insufficient to gather warrants when agents had zeroed in on al-Quaeda operative Zacarias Moussaoui.[155] While it may be tempting to ascribe these failures strictly to individual myopia, these types of errors are an expected outcome in organizations that pursue a centralized defender strategy while operating in an uncertain and changing environment that is better suited to a loosely coupled prospector strategy.

Another example of the consequences of over-centralizing field operations occurred during the federal response to Hurricane Katrina. Detailed plans had been drawn up by DHS in the form of the *National Response Plan* (NRP) and the *National Incident Management System* (NIMS). These plans contained expectations for the actions of all levels of responders to a catastrophe from the local through the federal level and included the private sector; however, these detailed plans were not well understood at all levels and were detailed past the understanding of many of the responders at all levels.[156] In fact, the plans were so detailed and divorced from any kind of a ground reality that "From the time a request is initiated until the military force or capability is delivered to the disaster site requires a 21-step process."[157] Even though it may seem that there was a complete decoupling of FEMA from the ground forces initially on the ground after Katrina hit, this is again an example of extreme centralization of process when it is

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[154] Greg Miller, "FBI Agent Memo Urged Probe of Suspect Tied to 9/11," *Los Angeles Times*, September 25, 2002, http://articles.latimes.com/2002/sep/25/nation/na-intel25.

[155] Erik Dahl, *Intelligence and Surprise Attack: Failure and Success from Pearl Harbor to 9/11 and Beyond*, 1st ed. (Washington DC: Georgetown University Press, 2013), 149–150.

[156] Wise, "Organizing for Homeland Security after Katrina."

[157] "Hurricane Katrina: Lessons Learned: Chapter Five: Lessons Learned," accessed November 1, 2015, http://georgewbush-whitehouse.archives.gov/reports/katrina-lessons-learned/chapter5.html.

inappropriately applied to the poorly understood and constantly changing environment of a catastrophic event.

It should not be surprising that elaborate top-down planning in organizations that deal with unsettled environments at the point of service delivery tend to deal more with accountability issues than with operational imperatives. According to Kettl, when approaching new or increasingly complex problems, "Instead of seeking new strategies to enhance horizontal collaboration, the instinct for restructuring often creates new vertical lines that only increase the complexity of creating a seamless service system."[158] Kettl attributes this to the fact that the political structure of the organization is at least as important as the operational needs.[159]

Like many socio-organizational questions, the optimal level of centralization in an organization cannot be examined in isolation. Power structures, political accountability, strategic goals, culture, and the effects on the people in the organization all have to be considered. The research and literature on centralization in homeland security has been mostly confined to the upper levels of agencies and their relationships with political governance. Little has been written about the specific effects of centralization on the homeland security enterprise at the lower levels where the service is provided. The dynamic nature of evolving terrorist threats and the increased reliance on the complex infrastructures that are newly at risk from natural and manmade disasters would seem to call out for new approaches to protection; however, the organizations and systems to deal with these threats are largely legacy constructs.

An issue quite aside from the efficacy of an optimized level of centralization is that changes in levels of authority and power necessarily come at the expense of another manager in the organization. If the managers cannot alter these power dynamics charged with optimizing the level of centralization then the effort to improve faces an immense obstacle.

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[158] Kettl, "Managing Boundaries in American Administration," 18.

[159] Ibid., 17.

The term “benefit,” in the following text, is in the sense that the enterprise can be expected to function better if the proper level of centralization is realized, other factors being equal. The benefits and disadvantages of centralization of decision making are well documented. Centralized organizations have the advantage of stability, good accountability, little duplication of effort, and equality of results across time and distance. These benefits do come at the expense of speed, flexibility, and innovation. Another danger of centralization is that the decision maker who wields ultimate authority may be feckless or unwilling to make decisions. Decentralized organizations are in general faster, more dynamic, flexible, and innovative. The downside is the need for closer supervision, duplication, and a lack of even outcomes over the entire enterprise. However, a manager or policymaker cannot just look at the list of advantages and disadvantages and choose a level of decentralization that fits most closely with her vision of how she would like to see the organization operate. If the level of centralization is an ill fit for the strategy that the organization is following, the results will almost invariably be suboptimal. There is more to the optimal centralization story than just concentrating power either further up or further down in an organization. The decision to centralize or decentralize decision making and other authorities in an organization is not a standalone decision. The decision to centralize decision making should be in alignment with the strategy the enterprise pursues to achieve its goals. Organizations that operate in a fast-paced or uncertain environment should adopt a strategy of constant change and experimentation. This strategy requires that employees have the ability to make decisions and commit resources at an appropriate level quickly in order to either take advantage of opportunities or cut losses if the environment suddenly turns unfavorable. Rivals or events will overtake a slow-moving bureaucracy in this kind of environment. In the public domain, even if the market that the organization operates in is protected, performance will be less in a system in which either the level of centralization does not match the strategy, or the organization is in a constantly reactive mode rather than focusing on a predetermined strategic mode.

When determining the appropriate strategy for an SBU to pursue, it must be realized that large organizations are not monolithic. The environment at the top of a large federal bureaucracy is not the same as that at the bottom. Therefore, it is possible that the

lower levels of an organization that is exposed to more uncertainty can have more freedom of action and decentralization than higher levels in the same organization. The inverse of this situation can also be true. If a defender organization is undergoing reorganization at the higher levels of the organization, the lower levels can still perform in a stable, formalized manner as before.

Absent a good match between the strategy and environment, organizations can still be successful if they have properly matched their level of centralization with their strategies. The exception to this is in the case of a reactor strategy. In the case of a reactor strategy, there is little that the organization can do to improve other than attempt to adopt a better strategic posture. However, this may not always be possible if upper levels of the organization exhibit dysfunction or are unwilling or unable to commit to a strategic focus.

The fact that an organization may not readily identify its strategy makes the matching of centralization to strategy problematic. Academics assign strategic type based on a number of methodologies and subsequent statistical analysis. However, if form can be expected to follow function, then an organization that sees the value of decentralizing decision making for the reasons of speed and flexibility is probably pursuing the better part of a prospector strategy. If the overarching goals of the organization are to ensure accountability and equity at the expense of speed and flexibility, then formalization and a defender strategy presents a natural choice.

By identifying the amount of formalization and policy-driven decision making that an organization uses to perform its everyday mission, an organization can assess level of centralization at different levels of the organization. Mapping the business processes and analyzing the levels of the decision points can do this.[160] If most routine decisions are driven by policy, and there is little scope for overriding the policy, this is indicative of a very centralized process. If frontline employees have broad authority to make policy decisions or to override existing policy, this would indicate a very decentralized organization. An extreme example of this would be Nordstrom's famous

[160] Robert MacIntosh, "BPR: Alive and Well in the Public Sector," *International Journal of Operations & Production Management* 23, no. 3 (2003): 327–344, DOI: 10.1108/01443570310462794.

employee handbook that resides on a single card that is given to every employee at hire that says simply, "Use your good judgment in all situations."[161]

C. CONCLUSION AND RECOMMENDATIONS

This thesis has sought to identify those practices that help identify the optimum level of centralization of decision making in government organizations, and in particular, organizations engaged in homeland security activities. Having the proper level of centralization allows for a balance of speed and innovation while preserving accountability. These are all critical components of a successful homeland security effort; however, it was found in the research that centralization of decision making is not a choice that can be made formulaically. Centralization must be matched to the strategy pursued by the organization, and the strategy must be aligned with the operating environment.

When assessing the issue of the optimal level of centralization in an organization, two primary conditions must be considered: the level of instability in the environment that the organization is operating in and the strategic architecture that is being used to pursue the organization's goals. Different strategies perform better when matched to the environments, and each of the strategies calls for different levels of centralization and formalization.

This question holds value to homeland security because the organizations comprising the enterprise address threats that are constantly evolving. This dynamism mirrors the research literature's definition of a turbulent environment. Turbulent environments are best met by using a prospector strategy. Organizations using a prospector strategy, which values speed and innovation, are recommended to use a decentralized model of decision making as much as possible.[162]

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[161] Domingo Ribeiro-Soriano, and David Urbano. "Overview of Collaborative Entrepreneurship: An Integrated Approach between Business Decisions and Negotiations," *Group Decision and Negotiation* 18, no. 5 (2009): 419–430, DOI: 10.1007/s10726-008-9134-x.

[162] Miles et al., "Organizational Strategy, Structure, and Process," 546.

The administrative design of prospector organizations emphasize forward thinking and positioning themselves to be on the leading edge of emerging trends. They also tend to deemphasize formalization in the form of extensive rules and policies that must be consulted and adhered to before a decision can be made. While pushing decisions down to the lowest level of the organization is not always warranted or wise, these organizations do tend to use a more collaborative decision-making process than more formalized defender organizations.[163] Centralization of decision making works well in situations that are largely routine, or in circumstances where control, equity, or procedural justice is more important than speed or innovation and in critical situations with dire consequences if poor decisions are made lower in the organization.

The researchers using a variety of methods strategically typed organizations that were studied by the authors of the research papers that were used as a basis of this thesis. Organizations have been classified by distributing simple questionnaires to managers in the firms, using measurable indicators, researcher inference, and measurable criteria when available.[164] The strategic typology was then applied based on statistical analysis of the answers. Several of the researchers also made a point of questioning different levels of the organization because they found that different levels had different views of how the organization operated. This brings two factors to the foreground when applying this research to existing organizations.

First, the organizations cannot be expected to know what typology would be applied to them. The managers in the organization know the organization's goals, type of environment they work in, how they operate within the bounds of their culture, and can usually articulate a strategy for reaching goals. However, strategies and strategic types are not the same. The strategic typologies are ascribed to already functioning enterprises. The typologies are used to classify a pattern of work practices and are not goals in and of themselves. The typology is only valuable as a group of practices that lead to predictable outcomes in a given set of circumstances.

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[163] Ibid.

[164] Conant, Mokwa, and Varadarajan, "Strategic Types, Distinctive Marketing," 368.

Second, the fact that researchers commonly found significant differences in the attitudes and expectations of managers at different levels in the organizations studied indicates that different levels in the organization are operating in different environments, or at least the perception of different environments. This fact may have an impact on the strategic operation of the organization.[165] Disconnected perceptions of the strategic environment have implications when suggesting a strategic type to the organization and the best level of centralization. A mid-level or regional manager may have a great deal of freedom to make decisions and use resources without consulting headquarters and feel the organization has a high level of decentralization. If that manager does not extend any of that authority to the levels below her, she would thus be presiding over very centralized and formalized units. In a loosely coupled organization wherein the different layers of the hierarchy do not have close interdependencies, differing views of the operating environment may be acceptable or at least not debilitating;[166] however, loose coupling comes with the risk of organizational inconsistency.[167]

Another reason that different layers within an organization may have differing views of the strategy pursued by the enterprise is the administrative distance between policy formulation and implementation. Walker and Enticott found that service managers who were responsible for implementing policies had a much more nuanced view of the operations of the organization than corporate officers who were closer to the political operatives.[168] This is significant when assessing an organization through self-typing use of questionnaires or paragraph identification.[169] Examination of multiple layers of the organization is essential to not only get a more complete view of the operation, but it also better prepares the managers in the organization to accept results that may clash with their own assessment of the larger organization.

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165 Richard M. Walker, and Gareth Enticott "Using Multiple Informants in Public Administration: Revisiting the Managerial Values and Actions Debate," *Journal of Public Administration Research and Theory* 14, no. 3 (2004): 417–34, DOI: 10.1093/jopart/muh022.

166 Miller, "Environmental Fit versus Internal Fit," 159–78.

167 Ibid. 161.

168 Walker, and Enticott, "Using Multiple Informants in Public Administration," 417–434.

169 Ibid.

In order to allow managers to evaluate their organization's actual implemented strategic typology, a standardized program should be developed that can be administered to members at different levels of the hierarchy that mirrors procedural and attitudinal dimensions within the SBU. Tools, such as Malcolm McPherson's *Strategic Capability Survey Questionnaire*, have been used successfully in various public and private industries.[170] If currently prepared survey tools prove to be inadequate or ill suited to homeland security organizations, such tools should be developed and validated. The results of the survey should then be statistically evaluated to determine the mix of typologies that are being used in that SBU. Only once the strategy being pursued to achieve organizational goals is realized can the proper level of centralization be determined.

Determining the proper level of centralization in an organization is has been extensively researched and is a common topic of discourse in the literature. Pairing the level of centralization to a successful strategy is less studied, and it is largely, but not exclusively, focused on the private sector. The public sector offers limited opportunities to conduct either cross sectional or longitudinal studies, as most government services operate as monopolies and thus offer limited chances to compare across different methodologies. Another difficulty in assessing efficacy in government is the lack of broad, baseline metrics. This is especially true in homeland security fields that work only sporadically in the case of one-off large-scale natural disasters or the prevention of rare terrorist attacks. Prevention is a notoriously difficult service to directly measure and is best approached by assessing the processes that make up the prevention effort.[171]

The Clinton administration's NPR emphasized decentralization of decision making as a key element in streamlining governmental processes and minimizing the delays in getting services or answers from government officials. Other benefits based on

[170] Luis F. Morais, and Luis M. Graça, "A Glance at the Competing Values Framework of Quinn and the Miles & Snow Strategic Models: Case Studies in Health Organizations," *Revista Portuguesa de Saúde Pública* 31, no. 2 (2013): 129–144, DOI: 10.1016/j.rpsp.2012.12.006.

[171] Glen Woodbury, "Measuring Prevention," *Homeland Security Affairs* 1, no.1 (2005): 1–12, http://oai.dtic.mil/oai/oai?verb=getRecord&metadataPrefix=html&identifier=ADA484164.

strategy and environments go unaddressed in the NPR.[172] Specifically, decentralizing lower levels of certain homeland security that operate in turbulent environments can benefit from a decentralized philosophy coupled with a Prospector strategic thrust.

The DHS was born as the result of a centralized, top-down process and is not going to be set free of multilayered congressional oversight. The opportunity for more decentralization and innovation lies at the operational level of homeland security agencies. The benefits of decentralization are that the employees that are on the front lines of preventing terrorism and crime are most familiar with the problems and possible solutions. They are the ones managing and delivering services during national emergencies and need the ability to act and react to changing circumstances and opportunities that may well pass before permission can be gained in a strict hierarchy. This freedom does come at the cost of less control, and the risk of duplication of effort; however, duplication is seen as a defense in depth in high reliability organizations.[173] The price of duplication may well be worth accepting in order to gain the level of innovation that comes with more and disparate people working on the same problem.

From an organizational culture standpoint, it has been demonstrated that it is easier to convert employees from a centralized culture to a decentralized one than vice versa. The other cultural challenge is the loosening of the coupling between the operational and administrative layers of the agencies. As previously noted, the risk of inconsistency comes with loosening the control between layers of the organization. Given the unlikeliness of the administrative core of these agencies being decentralized, loosening the coupling between layers the hierarchy may be the only viable alternative to allow organizations to benefit from a decentralized decision-making process in support of an innovative prospector-like strategic stance.

However, given the high stakes that are placed on homeland security being as airtight as possible, these changes must be phased in under controlled circumstances so

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[172] Gore, *From Red Tape to Results.*

[173] Donald F. Kettl, "Contingent Coordination: Practical and Theoretical Puzzles for Homeland Security," *The American Review of Public Administration* 33, no. 3 (2003): 253–277, DOI: 10.1177/0275074003254472.

that the effects can be monitored and adjustments made as problems arise. This action would amount to a purposeful application of the goals set out in the NPR in 1993.

In a speech to the American Bar Association in 2011, Deputy Secretary of Homeland Security, Jane Holl Lute, said, "National security is centralized, it's top-driven. Homeland security is operational, it's transactional, it's decentralized, it's bottom driven."[174] This statement succinctly identifies the differences between policies that are put into place to protect the nation from the large, organized international threats that the Unites States faces from nations that oppose us. In the homeland security field, the threat is diverse, smaller, and at the ground level. This evolving and diversified threat meets the environmental description of those organizations that excel by using a prospector-type strategy that is decentralized at the operational levels of the enterprise.

[174] Jane Holl Lute. "A New Perspective on Homeland Security?" December 20, 2012, accessed September 22, 2015, Homeland Security Watch, http://www.hlswatch.com/2011/12/20/a-new-perspective-on-homeland-security/.

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